



# THE DEFENSE MONITOR

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## Defense Monitor in Brief

- **This Defense Monitor provides valuable information about the U.S. military budget and Congressional action on some key Administration proposals. It will inform the reader about issues central to current and future plans for Pentagon spending.**
- **The Clinton Administration plans to spend \$271 billion on the military in Fiscal Year 1999. Spending is planned to increase each year, reaching almost \$300 billion in the year 2003.**
- **Spending on unneeded Cold War “legacy” weapons systems continues at a high rate. This level of spending will continue while the Pentagon begins the development of even more sophisticated and costly aircraft, ships and weapons.**
- **The military might of the United States is unrivaled anywhere in the world, and will continue to be so at least well into the next century.**
- **A recently completed study by the National Defense Panel, part of the Congressionally-mandated Quadrennial Defense Review process, recommends dropping the Pentagon’s two war requirement. The Panel correctly recognized this as merely a justification for maintaining the current force structure.**
- **The Clinton Administration and Congress are both claiming victory in efforts to balance the budget. The truth is, the actual federal debt continues to climb.**

## The Fiscal Year 1999 Military Budget

### What the Numbers Mean

On February 2, 1998 the Clinton Administration released its Fiscal Year 1999 budget request. It asks for \$270.6 billion for the Pentagon, \$3 billion more than for FY'98. This represents an approximately 1% drop in spending, taking into account the effects of inflation. The request for the Future Years Defense Program (FYDP), which covers Fiscal Years 1999-2003, is \$1.4 trillion dollars. When considered on a “per year” basis, the Pentagon’s annual expenditures remain roughly stable over the entire period when adjusted for

projected inflation. Nonetheless, by 2003, Pentagon spending will be nearly \$300 billion. On top of this, the budget request allows the Pentagon to keep \$21 billion in projected savings from revised lower inflation forecasts for FY'99-'03.

### The World's Only Superpower

Although global military budgets have dropped significantly, the United States continues to spend at near-record levels. Total global

## Question:

***How many ships are there in the U.S. Navy for each Admiral? (Hint: during World War II there were 130 ships for each Navy flag officer.)***

***See Page 5***

military spending declined from \$1.6 trillion in 1985 to \$784 billion in 1997. Meanwhile, the U.S. share of total military spending has grown from 30% to 34%. With our closest allies – NATO, Japan and South Korea – we far outspend the rest of the world combined. The United States' budget alone is eighteen times as large as the combined spending of the seven “rogue” countries — those identified by the Pentagon as our most likely opponents in a conflict (North Korea, Iran, Iraq, Libya, Syria, Sudan and Cuba).

### Challenges of the 21<sup>st</sup> Century

Lt. Gen. Patrick Hughes, Director of the U.S. Defense Intelligence Agency, in his testimony before the Senate Select Committee on Intelligence in January, 1998, identified nine conditions contributing to global turmoil and instability. They are: uneven economic and demographic development; disparities in wealth and resource distribution; ethnic, religious and cultural strife; proliferation of high-tech weaponry; uncertain regional and

### The Clinton Administration's Budget Request for Fiscal Year 1999 (Budget Authority in \$ Billions)

	FY'98	FY'99	FY'00	FY'01	FY'02	FY'03
DoD Military (051)	254.9	257.3	262.9	271.1	274.3	284.0
DoE and Other	12.7	13.3	13.0	12.7	12.8	13.1
Total (050)	267.6	270.6	275.9	283.8	287.1	297.1
% Real Growth (051)	--	-1.1	0	+9	-1.1	+1.1

global security structures; international criminal activity; individual, sub-national or state “rogue” actors; the perceived dominance of “Western” culture and values; and natural disasters and environmental issues.

While a few of these factors, such as the actions of a “rogue” nation, might at some point necessitate military intervention, none by definition dictate the use of force to counter or rectify. Further, it is difficult to envision how military power could ever be used in responding to several of these conditions.

The United States must continue to examine the challenges that will confront us and the rest of the world as we enter the next century and devise innovative ways to respond to dangerous situations. From a purely military standpoint, we must base our

security needs on a realistic assessment of the threat, design a strategy based on that assessment, and build, train and equip a force best suited to implement our strategy.

More importantly, we need to recognize the limited uses of military force in responding to real world problems.

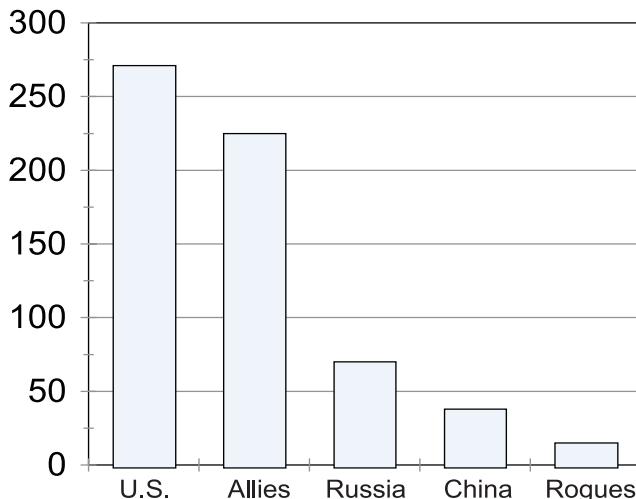
### More Money for the Pentagon?

Senior members of the House National Security Committee are urging congressional leaders and the Clinton Administration to boost Pentagon spending above the limits set in last year's balanced budget agreement.

In letters dated April 22, committee Chairman Floyd Spence (R-SC) and Ranking Minority Member Ike Skelton (D-MO) were joined by all but one subcommittee chairs and all the ranking subcommittee Democrats in expressing support for increased military spending. The letters state, “In the context of the first federal budget surplus in three decades and today's strong economy, we call on you, the nation's bipartisan political leadership, to reopen negotiations on the Balanced Budget Act of 1997 in order to provide for a sustained period of real growth in defense spending.”

Some members of the U.S. Senate have expressed similar views. Senator Ted Stevens (R-AK), Chairman of the Appropriations Committee, has indicated his

### U.S. Military Spending. vs. The World (1997 \$ in Billions)



willingness to increase military spending. And Senator Pete Domenici (R-NM), Chairman of the Budget Committee, who until recently resisted efforts to raise Pentagon spending, said, "Can we live on the agreement made two years ago (on defense spending ceilings)? In my view, we can't."

The Balanced Budget Act of 1997 (BBA) set specific annual spending caps for the government which would achieve a balanced federal budget by Fiscal Year 2002. A January report by the Congressional Budget Office (CBO) stated that under current spending policies the U.S. will achieve a modest surplus by FY2001 and that the annual surplus would continue to grow through 2008, reaching nearly \$140 billion. However, continued strong performance by the U.S. economy has led many to the conclusion that a surplus will be achieved as early as this year. In fact, on May 26 President Clinton released a report by the Administration's

Office of Management and Budget (OMB) which projected a \$39 billion surplus this fiscal year.

In the last three years Congress has added over \$21 billion to the Pentagon's budget above the Administration's requests. This year's request for the Pentagon, the first made under the new BBA, is \$271 billion, roughly the amount specified by the spending caps set under the budget law. This leaves Congress with virtually no "wiggle room" within which to find additional funding for the Pentagon. However, the prospect of budget surpluses, coupled with charges that the Administration's Fiscal Year 1999-2003 Future Years' Defense Plan (FYDP) is underfunded, has prompted Congressional hawks to push for additional Pentagon funding.

Congressional concern about the Administration's FY1999 request was heightened earlier this year by the CBO's announcement that, according to its analysis of the Pentagon's budget, the current

request was underfunded by nearly \$4 billion dollars. CBO stated that the OMB's estimated \$266.5 billion for FY1999 was \$3.7 billion below what was needed to fund existing and proposed Pentagon spending commitments. However, since OMB's figures, which form the basis of the Administration's official request, are virtually the same as the caps contained in the BBA, making up the shortfall without reductions elsewhere would violate the agreement.

Pressure for increased spending was further raised when committee members received reports they had requested from the heads of the military services about any funding shortfalls the service chiefs felt might result from the current budget. In letters to the House National Security Committee, the service chiefs identified \$58.3 billion in unfunded requirements between now and FY2003.

Despite support from influential members, Congress is unlikely to approve increases in Pentagon funding this year. Senator Strom Thurmond (R-SC), Chairman of the Senate Armed Services Committee, noted a lack of Senate support for such increases when he announced that he would not seek an add-on for the Pentagon during the FY1999 budget cycle. The budget resolution adopted by the Senate on April 2 contains no such increase, and Senator Domenici refused to include any additional funds for the military, despite his own concerns. His counterpart in the House, Rep. John Kasich (R-OH), has stated that his highest priority is funding the GOP's proposed \$100 billion tax cut package. Further, neither congressional leaders nor the

### FY'99 Funding for Selected Weapons (\$ in millions)

Weapon System	Number	Total \$
F/A-18E/F Fighter	30	3,275.3
F-22 Fighter	2	2,393.1
Joint Strike Fighter	—	919.5
B-2 Bomber	—	376.3
C-17 Transport Aircraft	13	3,206.9
E-8C Joint STARS Reconnaissance Aircraft	2	654.4
V-22 Osprey Aircraft	7	1,069.8
RAH-66 Comanche Helicopter	—	367.8
DDG-51 Destroyer	3	2,904.3
NSSN New Attack Submarine	1	2,302.5
LPD-17 Landing Ship	1	638.8
Trident II D-5 Missile	5	385.6
M1A2 Tank Upgrade	120	691.8
Ballistic Missile Defense	—	4,001.6
— National Missile Defense	—	950.5
— Navy Theater Wide	—	190.4
— Army THAAD	—	821.7
— Airborne Laser	—	292.2

*continued on page 6*

# Top Seven Claims Why We Need

(And why they're wrong)

**1) You can't sustain the force called for under the Quadrennial Defense Review which is capable of fighting two major wars virtually simultaneously at current spending levels.**

**Answer:** We don't have to. Many military experts feel that the "Two Major War" requirement is unnecessary. In 1994, then Secretary of Defense William Perry in testimony before Congress said, "Nothing in our planning, nowhere in our planning do we believe we are going to have to fight two wars at once...I think it is an entirely implausible scenario that we would ever have to fight two wars." Yet retaining this requirement has clear budgetary implications. The National Defense Panel, which reviewed the QDR, recommended rethinking the two war requirement, stating in its report that the requirement was "in reality, a force-sizing function. We are concerned that, for some, this has become a means of justifying current forces."

**2) While the United States spent billions on new weapons in the early 1980's, since then we have allowed our procurement budget to drop dangerously low. This has allowed the equipment currently in our inventory to age.**

**Answer:** There is no reason that we can't replace aging equipment now with new buys of current systems, upgraded with the latest technologies. They are proven systems, and are far superior to those of other nations. No one is developing weapons as sophisticated as those we are currently planning. We should use the opportunity provided by the end of the Cold War to allow revolutionary technologies to develop and mature, and decide how best to apply these technologies to meet actual 21<sup>st</sup> century threats as and when new threats arise.

**3) The Defense Department believes that a peer competitor might emerge around 2010.**

**Answer:** The Pentagon believes that no peer competitor will emerge before then, and they can't be sure that one will actually emerge even then. If it does, new, updated models of existing weapons will more than suffice to meet this threat. Further, given the lessons of the 1991 Gulf War, any nation seeking to challenge our superiority will likely do it through "asymmetrical threats" – identifying our possible weaknesses and developing ways to exploit them rather than attempting to defeat us head-on. For instance, given our heavy reliance on technology, a potential enemy might seek ways to exploit vulnerabilities in our computer networks. In the meantime, purchasing legacy weapons systems intended to fight World War III will not help us to do the things we will actually be called on to do in the 21<sup>st</sup> century.

**4) Reducing the current size of our military force isn't an option. The demands placed on the services by operations such as Bosnia and the Persian Gulf preclude any large reduction of the force structure.**

**Answer:** We can reduce the active duty military and still fulfill our commitments around the world. A greater reliance on reserve forces will cut operating costs. Additional units should be trained in peacekeeping and humanitarian assistance to spread the burden more evenly across the force. We should drastically reduce our overseas presence (200,000 personnel in Europe, Japan and South Korea), thus freeing up additional forces. We should look at alternatives to using the military for certain operations such as humanitarian assistance and disaster relief. And we can reduce the number of personnel needed to support our troops in the field by reducing Pentagon red tape and improving our logistical network. Each of these steps will improve our capabilities and save scarce tax dollars.

# ed to Increase Military Spending

ey're wrong)

*5) As the world's lone remaining superpower with an ambitious foreign policy, it is necessary and right that we continue to expend large amounts while other nations reduce their military budgets.*

**Answer:** The United States is the only country that considers the entire world to be our sphere of influence. We should not, however, attempt to or feel obliged to respond to all instances of violence anywhere in the world. Further, military force is not the only way to respond to destabilizing situations, and in some cases it is the worst possible way. We should be prepared to support regional security organizations and the United Nations in preventing or alleviating the effects of violence or other events that may serve to heighten international tensions.

*6) The military budget has been reduced 38% since 1985. We don't need to cut it further.*

**Answer:** Such analyses of historical trends in U.S. military spending are misleading for a couple of reasons. First, 1985 represents the "highwater" mark of the Reagan era military buildup, a buildup unprecedented in peacetime. Other than the Korean War, military spending in 1985 was much higher than at any time since the end of World War II, exceeding even the peak years of the Vietnam War. Even though there have been 13 straight years of inflation-adjusted cuts in annual military spending, in real terms we are only just now getting down to the levels of the Carter Administration. Second, during the Reagan and Bush Administrations, the U.S. national debt skyrocketed from around \$829 billion in 1979 to over \$4 trillion in 1992. Meanwhile, while total global military spending has decreased from \$1.6 trillion in 1985 to \$784 billion in 1997, the U.S. share of the global military budget has increased from 30% to 34%.

*7) Military spending creates jobs.*

**Answer:** As far as providing jobs, military spending is a much worse investment than other federally funded programs. For example, \$1 billion spent by the Pentagon on weapons, supplies and services generates 25,000 jobs. However, the same \$1 billion would create 30,000 mass transit jobs, 36,000 housing jobs, 41,000 education jobs, and 47,000 health care jobs.



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***Answer:***  
**There are currently 1.6 ships in  
the U.S. Navy for each Admiral.**

Source: "More Brass, More Buck" by the Project on Government Oversight, March, 1998.

Administration seem inclined to renegotiate the BBA in what would surely be a highly charged political debate during a critical election year.

### What about next Year?

The forecast for next year is far less certain. It is difficult to predict what changes will occur in Congress as a result of the November elections. While Democratic political analysts speak publicly about the party regaining control of the House of Representatives, this appears unlikely. In fact, traditionally the party in control of the White House loses ground in Congress in non-presidential elections.

More importantly, Fiscal Year 2000 marks the end of the existing budgetary "firewalls." Under existing law it is not possible to shift funds from defense spending to domestic discretionary spending, or vice versa. Originally such firewalls were created in the early 1990's to keep Congress from raiding the Pentagon budget to fund domestic initiatives. Given the current makeup of Congress, however, firewalls are now viewed as protecting non-defense spending. The existing firewalls, created as part of the BBA, are set to expire at the end of FY'99. Once

they are gone, Congress could increase Pentagon spending at the expense of other discretionary programs without increasing the overall federal budget.

### Base Closures: An Uphill Battle

The Pentagon plans to raise its procurement budget, the majority of which goes to purchase new, high-tech weapons, by 25% over the next five years to \$60 billion annually. In order to fund this increase the Pentagon is looking at a number of cost cutting initiatives, including such things as reducing its civilian work force, eliminating bureaucratic "red tape," and privatizing certain support functions. The most controversial initiative, however, is the closure of additional military bases.

On April 2, 1998 the Pentagon released "The Report of the Department of Defense on Base Realignment and Closure," its latest attempt to convince Congress to approve additional rounds of military base closures.

In a prepared statement accompanying the report, Defense Secretary Cohen said, "Our need is clear and compelling. The Department of Defense has more base capacity than is required to meet the needs of our fighting forces. Eliminating this excess capacity will save the Department billions of dollars. These resources will help ensure that the Department can sustain our high state of readiness and provide our troops with modern weapons."

The Pentagon is calling for two additional rounds of base closures in 2001 and 2005. According to the report, the military currently has 23 percent excess base capacity. The Pentagon expects closures

already approved will produce savings of \$25 billion through 2003 and \$5.6 billion annually thereafter. The additional closures are forecast to save a further \$21 billion from 2008-2015 and \$3 billion in each successive year.

When Secretary Cohen first proposed additional base closures last year as part of the recommendations of the Quadrennial Defense Review, reaction from Congress was swift and negative. This year's foray by the Pentagon has met with a similar response. Senator James Inhofe (R-OK), a critic of the Clinton Administration's closure policy, has made it clear that no further closures will occur until there is a new Administration in the White House.

### A Political Football

Senator Inhofe, Chairman of the Armed Services Readiness subcommittee, is among those who criticize the Administration for politicizing the base closure process. In 1995, the Base Realignment and Closure (BRAC) Commission recommended closing McClellan Air Force Base in California and Kelly Air Force Base in Texas, two critical electoral states. The Clinton Administration overruled the Commission and Congress, keeping the bases open through a program known as "privatization in place." Under this plan the government work force and private sector contractors compete for work to be performed at the two facilities.

While the BRAC system went a long way to de-politicize the base closure process, it would be naive to assume that politics were completely eliminated from the equation. "Privatization in place"

#### The World's Only Superpower

*"We are frequently described as the world's only superpower, and we take some relish in that description, but what does it mean? And more importantly, what are our obligations as being the world's only superpower?"*

**Defense Secretary William Cohen, April 9, 1998.**

was clearly an election year ploy. Senator Inhofe has a political stake in the success or failure of the plan also, for Oklahoma is home to Tinker Air Force Base, one of the Air Force's network of depot maintenance facilities. Tinker stood to gain considerably had the Pentagon closed McClellan and Kelly, which are also maintenance facilities.

Not even Secretary Cohen is completely immune from the politics of base closings.

Responding to questions about what the Pentagon might do should Congress continue to resist further closures, the Secretary threw down the gauntlet, replying that "I could recommend that we simply allow a deterioration in some of the facilities that would go without repairs. I could recommend that we simply start moving toward what might be

called mothballing certain facilities." And even though he later acknowledged that these are not really "positive" alternatives, the message was a pointed one — members of Congress should carefully consider their stance on base closures lest they find the facilities in their districts or states without sufficient resources to maintain the existing infrastructure.

The Pentagon's hopes for Congressional approval of additional closures during this year's authorization cycle effectively died in late April. During a House National Security subcommittee hearing, Rep. James Hansen (R-UT) revealed an internal Air Force memo that cited "White House interest" in keeping open McClellan. The memo, dated April 26, from Acting Air Force Secretary F. Whitten Peters to Deputy Defense Secretary John

Hamre, informed Hamre that White House staffers were eager to have him discuss bringing additional work to McClellan during upcoming meetings with Lockheed Martin officials. At the time, Lockheed Martin was in the process of deciding where it would perform maintenance work on Air Force KC-135 aircraft. With the disclosure of the memo's contents, discussion of near-term congressional approval of further closures ended.

Almost everyone recognizes the need to close additional bases. Even congressional critics of further closures tend to focus on process rather than whether surplus infrastructure exists. Yet while the various sides spar on the political field, it is the American taxpayers who ultimately bear the burden of operating unneeded facilities.

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## The Balanced Budget Myth

Both the Clinton Administration and GOP congressional leaders have been quick to highlight their pivotal roles in "balancing the budget." While such claims make for fine political rhetoric, the truth is quite different.

Those who argue that the federal budget is balanced assert, in effect, that "if cash in equals cash out, the budget is balanced, and if cash in exceeds cash out, there is a surplus." Yet the reality of the federal budget is more complex.

Part of the federal budget's "cash in" is in the form of payroll deductions for individual contributions to the Social Security trust fund. These funds are intended to be put towards paying current and future Social Security benefits. Presently, receipts from the Social Security payroll tax exceed benefit

payments by more than \$100 billion. Yet rather than banking the extra funds towards payment of future benefits, the government uses the money to supplement its "cash out."

Monies intended for the Social Security trust fund used to balance the government's "cash out" are added to the total federal debt. It is for this reason that in FY'98, the year in which OMB estimates that the budget surplus will be \$39 billion, the total U.S. statutory debt will grow, according to U.S. government estimates, from \$5.328 trillion to \$5.506 trillion, an increase of \$178 billion. By FY 2003, the total U.S. debt will be \$6.305 trillion.

Yet most political leaders ignore this situation in their rush to find funds for their various pet projects. Fiscal conservatives, tax cutters, military hawks and supporters of domestic programs all are clamoring

for a slice of the budget surplus pie. Perhaps the worst idea of all is giving it to the Pentagon to waste on new unneeded weapons.

At \$271 billion, the Pentagon's budget is more than ample to ensure our security. What is needed is not additional funds, but a better allocation of the assets already available. The U.S. must undertake a thorough re-examination of our national security interests in the post-Cold War era. The incremental changes in Pentagon thinking over the past decade, which the military establishment has often attempted to pass off as "revolutionary," are not sufficient. Without such a thorough reexamination, the United States will be ill-prepared to face the actual challenges of the 21<sup>st</sup> century. More weapons to prepare for World War III will not make Americans more secure.



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