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Debating The U.S. Defense Budget: Cost Versus Risk

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SUMMARY

The United States is in the early stages of a debate over the size of the U.S. defense budget. That debate also reflects differing assessments of the nature of the international environment and the risks that the United States faces. One school of thought, which I have dubbed the New Orthodoxy, calls for the United States to accept greater risk in pursuing its historic interests. The other school, which I have dubbed the Heretics, calls for increasing defense resources to close the gap between ends and means.
THinking about Defense Spending

There are many ways to portray the magnitude of U.S. defense spending: in absolute terms, as a percentage of federal government spending, as a percentage of gross domestic product (GDP), or relative to that of other states. There is, however, no single right way to determine how much the United States, or, for that matter, any other state, should spend on defense, let alone whether it is spending too little or too much. The size of the defense budget per se, either in absolute terms or as a percentage of GDP, tells us little about the adequacy of defense spending. A focus on overall defense spending obscures the allocation of resources among personnel, operations and maintenance, acquisition, and research and development accounts. Nor does the size of the defense budget tell us anything about what the American taxpayer gets for his money. Cost growth in both weapon systems and personnel are both long-standing trends. As a result, each dollar of defense spending buys less in hardware and in manpower than it did a decade or two ago.

Perhaps the most useful way to judge the adequacy of a given level of defense spending is to assess how well it allows the United States to safeguard its interests and pursue its objectives at an acceptable level of risk. Although there is a broad consensus over the ends of U.S. power, there is considerable debate over the level of resources adequate to pursue those aims.

Objectives

The U.S. Government has often done a poor job of articulating its interests in public statements. The Congressionally-mandated National Security Strategies, which are prepared for domestic and international consumption, tend to speak in general terms. Rather than a limited and prioritized set of objectives, they often contain undifferentiated lists of desirable ends. Rather than discussing particular countries that threaten our interests, they tend to speak of challenges in only the vaguest of terms.

One should, therefore, look to the practice of U.S. national security policy for an understanding of enduring U.S. interests in Asia and elsewhere. Since at least World War II, the United States has, in fact, pursued a consistent set of objectives in the region. These ends should serve as the starting point for any assessment of the adequacy of defense spending.

First and foremost, the United States has acted to defend U.S. territory. This includes not only the continental United States, but also Hawaii, Alaska, Guam, and the Northern Mariana Islands. The United States is also bound by treaty to protect American Samoa, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

Second, the United States is committed by law to protect its allies. In Asia these include Australia, Japan, South Korea, the Philippines, and Thailand. The United States is also obligated to help defend friends such as Taiwan. The Taiwan Relations Act requires the U.S. government to both provide arms and services of a defensive nature to Taiwan and to maintain U.S. military capacity to resist coercion of Taiwan by China.

Third, the United States has acted over decades to ensure access to the global commons in peacetime and to commanding them in wartime. Command of the commons has benefited not only the United States but others as well—none more than China. The free flow of goods, services, and information has undergirded economic growth and prosperity for decades. It has lifted literally millions out of poverty and served as the midwife of globalization.

Fourth, the United States has, for the past century, sought to preserve a favorable balance of power across Eurasia. The United States has repeatedly used force when its territory or allies were attacked and when a would-be hegemon has threatened the balance of power in Eurasia. The United States twice intervened on the European continent when it appeared that Germany was on the brink of dominating the continent. Similarly, the United States resisted Japan’s attempt at hegemony in the Pacific. During the Cold War, the United States sought to prevent the Soviet Union from becoming a Eurasian hegemon. U.S. defense planning after the fall of the Soviet Union similarly sought to prevent a would-be hegemon from arising.¹

Challenges

Three challenges in particular are likely to influence U.S. national security in coming years. Assessments of their severity and priority will go a long way to determine the size and composition of the defense budget. The first is the ongoing war with al-Qaeda and its affiliates: a protracted conflict with irregular adversaries using unconventional means that spans the globe. The second is the threat that nuclear-armed hostile regimes such as North Korea and, prospectively, Iran pose to U.S. allies and the stability of key regions. The third, and most consequential, challenge is the rise of China. Chinese military modernization promises to reshape the balance of power in Asia in ways inimical to the

United States and its interests. China may not only be able to deny the United States access to areas of vital national interest but also undermine the alliances that have served as the foundation of regional stability for over half a century.

**CLOSING THE GAP BETWEEN ENDS AND MEANS**

There are, at least in theory, three ways to reconcile ends and means: reduce commitments, accept greater risk, and increase resources. The first approach is worthy of study if only to reveal its limitations; today’s defense debate is really between advocates of the second and third alternatives.

The first approach, favored by neo-isolationists of various stripes in both U.S. political parties, would be to scale back U.S. commitments and accept a narrower definition of America’s role in the world than we have had for the better part of a century. Such a strategy would have the United States pull back from the Asian littoral and rely upon allies to shoulder a greater portion of the load, husbanding its resources against the possible emergence of a peer competitor.

Reducing commitments is, however, easier said than done. Protecting the United States against attack is one of our government’s fundamental responsibilities. Similarly, we would lose more than we would gain by abrogating any number of treaties that commit the United States to the defense of allies across the globe. A failure on the part of the United States to continue to command the commons would similarly incur great economic, political, and military costs. It would, in other words, trade reduced operational risk for increased strategic risk. Moreover, offshore balancing reflects an unwarranted defeatism. Although complacency would be unwise, it would be misguided to argue that the only, or even the best, option for the United States is to reduce its commitments in Asia.

If scaling back commitments has its limits, then the real debate is over the level of risk that the United States can prudently accept. What I term the “new orthodoxy of defense” calls for the United States to accept greater risk in pursuing its historic interests. Those whom I dub the “Heretics” call for increasing defense resources to close the gap between ends and means.

**ACCEPT GREATER RISK: THE NEW ORTHODOXY**

The new orthodoxy holds that the United States can reduce defense spending and thereby accept greater risk. This view stems from the premise that the United States today is relatively secure. The war in Iraq is over, and that in Afghanistan is winding down. Much of al-Qaeda’s senior leadership has been killed, and many of those who remain are on the run. Iran is increasingly isolated by economic sanctions. Because of these favorable trends in the security environment, advocates of this view argue that the United States can afford to make major cuts in defense spending.

Proponents of the new orthodoxy of defense spending tend to focus on the cost of defense. As a result, they tend to see defense spending as a drain on the U.S. economy. They argue that resources spent on defense can be better—and more productively—spent elsewhere. Proponents of this view argue that the United States should move from practicing nation building abroad to nation building at home.

Proponents of the new orthodoxy conclude—at least implicitly—that the United States can continue to pursue broad objectives at reduced cost by accepting additional risk. They acknowledge that the United States today faces greater operational risk. They realize, for example, that U.S. bases in the Middle East and Western Pacific are increasingly vulnerable to precision-guided munitions and nuclear weapons. They also realize that U.S. power projection forces face new threats from cruise missiles, submarines, and anti-ship ballistic missiles. They bet, however, that increased operational risk will not translate into strategic risk and will not, therefore, undermine our ability to pursue our aims.

**INCREASE RESOURCES: THE HERETICAL VIEW**

In contrast with the New Orthodoxy, the Heretics argue that the United States should reconcile ends and means by devoting more, rather than less, to defense. This view can be seen, among other places, in the report of the bipartisan 2010 Congressionally-mandated Quadrennial Defense Review Independent Panel (QDR IP).

Whereas proponents of defense cuts see the world as increasingly secure, those who favor greater investment in defense are concerned that the world continues to be a dangerous place. Although some parts of the world (Europe, for example) are clearly safer and more secure than in decades past, other parts of the world, such as Asia, are less secure. Of particular concern is China’s ongoing military modernization, a portion of which is aimed at coercing U.S. allies and denying the United States access to the Western Pacific. Moreover, the United States appears to have underestimated the scope and pace of China’s fielding of new weapons.

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including those designed to counter U.S. power projection forces. Over the past decade, the weapons most needed to respond to such developments have received short shrift in the Pentagon budget. +As a result, the United States faces an increasingly unfavorable military balance in the Western Pacific.

Because the international security environment remains dangerous, advocates of greater investment in defense are concerned that cuts to U.S. defense spending could jeopardize America’s ability to pursue its traditional role in the world. As former Secretary of Defense Robert Gates cautioned shortly before leaving office, “The tough choices ahead are really about the kind of role the American people—accustomed to unquestioned military dominance for the past two decades—want their country to play in the world.”

The Heretics further argue that changes in the security environment mean that the United States may actually have to spend more on defense to defend U.S. territory, protect our allies, and safeguard our interests. In the words of QDR IP, “The [U.S.] force structure needs to be increased in a number of areas, including the need to counter anti-access challenges; strengthen homeland defense, including cyber threats; and conduct post-conflict stabilization missions. It must also be modernized.” The panel called for an increase in the size of the U.S. Navy, the acquisition of a next-generation bomber, and new long-range strike systems. The panel acknowledged that although the Defense Department must do everything it can to achieve cost savings on acquisition and overhead, “substantial additional resources will be required to modernize the force.”

Advocates of greater investment in defense note that although the United States had increased defense spending markedly since the September 11, 2001 terrorist attacks, that money mainly went to operations and personnel costs. It produced few new weapon systems, and those that have been fielded were geared toward a particular kind of war against a particular kind of foe. For example, the United States fielded thousands of mine-resistant ambush-protected vehicles for Iraq and a sent a second generation to Afghanistan. Such vehicles are unlikely to be of much use in future wars, however. And the unmanned aerial vehicles that have been crucial to U.S. success in combating insurgencies in Iraq and Afghanistan and targeting terrorists in Pakistan are unlikely to survive in a conflict with an adversary that possesses even a rudimentary air defense network.

By contrast, U.S. Air Force aircraft are on average more than 23 years old, the oldest in Air Force history, and are getting older. Many transport aircraft and aerial refueling tankers are more than 40 years old, and some may be as much as 70–80 years old before they retire. The U.S. Navy is smaller now than it was before the United States entered World War I, and is getting smaller. Only full-scale recapitalization will reverse this trend.

Finally, those who advocate greater investment in defense argue that debates over the proper level of defense spending should acknowledge not only the costs, but also the benefits of defense spending. Indeed, they argue that defense spending provides tangible benefits to the American people both internationally and domestically.

Internationally, American military dominance has benefited the United States and the world as a whole. The fact that the U.S. Navy has commanded the maritime commons has allowed trade to flow freely and reliably, spurring globalization and lifting millions out of poverty. It is unclear whether the stability that American military dominance has yielded would continue in its absence. As Bill Clinton’s Assistant Secretary of Defense for International Security Affairs, Joseph S. Nye, Jr., famously noted, security is like oxygen: you don’t notice it until it begins to run out.

Domestically, defense does more to stimulate the U.S. economy than most things the U.S. government spends money on. The defense budget creates jobs and spurs the development of new technology. It is hard to think of other categories of government expenditure that are as stimulative of economic growth, yet the Defense Department was largely exempt from the Obama administration’s stimulus plans.

THOUGHTS IN LIEU OF A CONCLUSION

What we are seeing now, and will likely continue to see playing out over the next several years, is a debate between those who argue in favor of reducing the defense budget and accepting greater risk, and those who argue in favor of greater defense spending and accepting less risk. The common wisdom, the New Orthodoxy, is that the defense budget is in for some deep cuts. Perhaps. But the common wisdom is often wrong. As the debate goes on, the risks associated with defense cuts are likely to occupy in increasingly prominent role in the public discourse. The international environment will affect things as well: a reminder that we live in a dangerous world or signs of international amity could change the political reality of defense.

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