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Published by the Council on Foreign Relations

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Monday, February 10, 2020 - 12:00am

Getting to Less

The Truth About Defense Spending

Kathleen Hicks

KATHLEEN HICKS is Director of the International Security Program at the Center for Strategic and International Studies. She served in the U.S. Defense Department for 17 years, including as a senior official in the Obama administration responsible for defense strategy, plans, and force development.

On the question of how much to spend on national defense, as with so much else, Americans are divided. A Gallup poll taken in 2019 found that 25 percent of them think the United States spends too little on its military, 29 percent believe it spends too much, and 43 percent think it is spending about the right amount—a remarkable degree of incoherence for politicians trying to interpret the public's will. President Donald Trump, having campaigned on a promise to “rebuild” the U.S. military, has touted ^[1] the “billions and billions of dollars more” he has added to the Pentagon's budget each year of his tenure. On the campaign trail, some Democratic candidates are moving in the opposite direction. To free up money for her health-care plan, Senator Elizabeth Warren of Massachusetts has said she plans to slash defense spending. Likewise, Senator Bernie Sanders of Vermont has said ^[2] that in order to “invest in the working families of this country and protect the most vulnerable,” the United States should put an end to “massive spending on a bloated military budget.”

Rarely, however, does this debate touch on the real question at the heart of defense spending: what the U.S. military should be doing and should be prepared to do. The closer one looks at the details of military spending, the clearer it becomes that although radical defense cuts would require dangerous shifts in strategy, there are savings to be had. Getting them, however, would require making politically tough choices, embracing innovative thinking, and asking the armed forces to do less than they have in the past. The end result would be a less militarized yet more globally competitive United States.

UP AND DOWN

Since World War II, U.S. defense spending has followed a well-worn pattern of rising during major operations and falling (although never by equal measure) in their aftermath. At the outset of the Korean War, in 1950, military spending grew by a remarkable 290 percent in two years—reaching \$692 billion in current dollars and 13 percent of GDP—before declining by 51 percent between 1952 and 1955. During the Vietnam War, it grew again, hitting \$605 billion in current dollars and nine percent of GDP in 1968, after which it dropped by 25 percent between then and 1975. But as Cold War tensions rose in the late 1970s and early 1980s, Presidents Jimmy Carter and Ronald Reagan increased the Pentagon's budget. After the fall of the Soviet Union, it shrank again under Presidents George H. W. Bush and Bill Clinton, with spending falling 34 percent between 1985 and 1997.

Then came 9/11. The wars that followed, in Afghanistan and Iraq, caused defense spending to shoot up again, reaching almost \$820 billion and 4.7 percent of GDP in 2010. Spending kept climbing through the Obama administration's budget for fiscal year 2012, only to run into the budget standoff

in Congress and the resultant automatic cuts (or so-called budget sequestration) of 2013. For the next three years, spending fell slightly in accordance with congressional budget caps.

The drop didn't last long. Soon, Russia annexed Crimea, the Islamic State (or ISIS) emerged in Iraq and Syria, and China expanded its campaign of land reclamation in the South China Sea. And so U.S. military spending started rising again, beginning with the budget for fiscal year 2016, the last one enacted under the Obama administration. It increased even more in 2017, after the inauguration of Trump, who had campaigned on the need to build up the military. During his first three years in office, Trump delivered modest annual growth in defense spending, assisted by the newfound willingness of Republicans to raise spending caps and the availability of the Overseas Contingency Operations account—a budget line not subject to congressionally imposed budget caps that was originally created to fund the wars in Afghanistan and Iraq but is now used for a much broader range of purposes. In fiscal year 2020, the United States is set to spend some \$738 billion on defense.

Is that too little, too much, or just right? Looking merely at the numbers is not particularly helpful. On the one hand, defense spending now constitutes a smaller percentage of GDP and federal discretionary spending than at any time since 1962. On the other hand, in inflation-adjusted dollars, the Defense Department is spending almost as much today as it was in 2010, at the height of the combined U.S. troop presence in Afghanistan and Iraq. What is more useful is to look at how the money is spent. Broadly speaking, there are three purposes toward which the funds can be directed: making the military ready for today (readiness), preparing it for tomorrow (investment), and designing and sizing it (structure).

Consider some of the new tasks the U.S. military has taken on to deal with the threat posed by Russia in the wake of its annexation of Crimea. To improve readiness, it has upped the pace of military exercises in eastern Europe and trained new armored forces. In terms of investment, it has increased the research, development, and procurement of short-range missile and air defense systems. As for structure, it has deployed more forces in Bulgaria, Poland, Romania, and the Baltic states.

The challenge of how to apportion resources plays out across a wide array of U.S. interests, including nuclear deterrence, counterterrorism, and the assurance of the free flow of commerce in the Pacific Ocean. Currently, spending is split almost equally among those three categories. Clearly defined priorities make it easier to accept tradeoffs between various missions and time frames, but finding the perfect balance is always difficult. Doing that involves the tricky business of predicting global and domestic trends—including the desires of future policymakers.

THE WRONG WAY TO CUT

Making the right strategic choices can go a long way toward getting the most out of the defense budget, but it is also crucial that the Pentagon execute those choices in an efficient manner. In practice, however, efforts to wring out savings from efficiency have tended to fall flat. Too often, policymakers have harbored outsize expectations, achieved short-lived results, and dodged politically difficult choices.

One common error has been the temptation to reach for the easiest, rather than the smartest, cuts—to slash the budget items that can be reduced quickly and without much of a political fight. A good example of this is research and development. Compared with procurement, R & D is relatively easy to cut fast: whereas halting production of a major weapons system can threaten thousands of jobs, shutting down a program at an earlier stage of development generally threatens far fewer. Yet R & D is the lifeblood of future capabilities, and cuts made today have consequences a decade down the line, when the military could be forced to forgo its advantage or play an expensive game of catch-up. Another go-to cost-saving strategy is to defer spending on scheduled maintenance and keep ships, planes, and other equipment in the field longer. Again, the effects are felt years later, this time in the

form of higher accident rates and fewer combat-ready units. Poor maintenance partly explains why the Marine Corps saw aviation accidents rise by 80 percent between 2013 and 2017 and why in the fall of 2019 every single one of the U.S. Navy's six East Coast-based aircraft carriers was sitting in dry dock.

Another error has been the reflexive tendency to concentrate on reducing staff at headquarters. As in the corporate world, cutting overhead can signal resolve, by showing that the leadership is willing to absorb some of the pain from budget cuts. Indeed, during both the Clinton and the Obama administrations, the Defense Department undertook major efforts to increase efficiency by reducing management staffing across the department, especially the jobs of federal civilian employees, and Secretary of Defense Mark Esper has sought to do the same. But the savings achieved from such efforts are usually far less than projected. Predictably, for example, even though Congress directed the Defense Department to cut \$10 billion through administrative efficiencies between 2015 and 2019, the Pentagon failed to substantiate that it had achieved those savings. The reason these efforts rarely succeed is that they merely shift the work being done by civilians to others, such as military personnel or defense contractors. It is especially foolish, then, to count on those imagined savings while planning future budgets, as the Pentagon typically does.

Yet another error is to assume away missions despite strong evidence that they will remain relevant. Perhaps the most egregious example of this was the George W. Bush administration's failure to plan for the occupation of Iraq. From the beginning of that war, Secretary of Defense Donald Rumsfeld resisted calls from the U.S. Army to ready more troops for a stabilization mission, resulting in chaos in the country and untold human, financial, and strategic costs. After a four-year delay, Rumsfeld was forced out, and the Pentagon and the White House ultimately reversed his approach with the 2007 U.S. troop surge. For the defense strategist or budgeter, it can be tempting to believe that today's problems will fade, or that tomorrow's problems will magically solve themselves, but history suggests otherwise.

Policymakers also make the mistake of avoiding politically challenging cuts. Personnel costs are one of the touchiest targets. Adjusting for inflation, spending per active-duty member of the military grew by more than 60 percent between 1999 and 2019. Part of the rise is attributable to increases in cash compensation, but most has to do with benefits. Over the same period, the costs of military health care alone more than doubled. Yet policymakers have taken only modest steps to check the explosion of personnel costs, failing to slow the growth of military pay or bring insurance copays in line with those in the private health-care market. Any changes in these areas would need to take into account goals about recruiting and retaining capable people, but the status quo leaves much room for improvement.

Closing military installations is another third rail. The Defense Department itself admits that it has 19 percent excess capacity domestically, and by consolidating or closing unneeded facilities, Congress could reap major savings. But legislators, fearful of the political consequences of shutting down bases in their own districts, have declined to do so. It has been 15 years since the last round of closures, and it is long past time for another one, which, after some upfront costs, could save several billion dollars every year. Similarly, politicians have been reluctant to curtail procurement programs that have outlived their usefulness. Doing so could make room for new investments better tailored to future challenges but would carry big political costs: lost jobs, shuttered facilities, and bankrupt defense suppliers. These are not easy choices, but the pain can be lessened through job-transition programs akin to the ones that have traditionally accompanied base closures.

STRATEGY AND SPENDING

Strategic fallacies have been equally unhelpful in the quest for defense savings. Consider Trump's repeated pledge to bring U.S. troops home. Overseas military spending is a tempting target, since it is politically safer to cut than funds spent at home. But keeping forces stationed on allied soil is often

cheaper than moving them to the United States, where their presence is not subsidized by foreign governments and where significant new spending would be needed to house, train, and deploy them.

Or look at Warren's call for "shutting down a slush fund for defense spending"—liquidating the entire Overseas Contingency Operations account and using the freed-up money for nondefense priorities. That proposal is also deeply misguided: the majority of the account covers expenses not directly related to the U.S. presence in Afghanistan, Iraq, and Syria. It pays for efforts as varied as the stationing of ground and air forces in Europe, naval operations in the Persian Gulf and the Indian Ocean, and the ability to scramble jets over American cities in the event of an emergency.

Short of full-scale disarmament, the most radical approach to reducing defense spending would be to adopt a truly "America first" national security strategy. One could imagine ways to reap \$100 billion or so in defense cuts, which could grow over time. The United States could rely largely on its nuclear deterrent to keep would-be aggressors at bay. It could back out of current treaty commitments, forsaking permanent alliances in favor of temporary coalitions. The military could shed much of its conventional power-projection capability, especially its ground forces, but retain enough for a limited set of missions: securing the means of American commerce, responding to direct attacks as needed, and thwarting terrorists before they attack. It could lay off tens of thousands of military personnel and federal workers.

But it is worth remembering just how radical a departure such a strategy would be. The defense of places such as Alaska, Guam, and Hawaii—far from the continental United States—would be particularly difficult with the military that this strategy would buy. American people and businesses abroad would have to accept that their interests and security would be protected more by the United States' diplomatic and economic power than by its military might. Nuclear proliferation would surely grow, as former allies no longer covered by the U.S. nuclear umbrella, along with foes sensing an American retreat, would seek to build their own nuclear capabilities. And perhaps most important, if the United States changed its mind and decided that it needed to regenerate its military capabilities, it might not be able to do so quickly, and it would almost certainly pay a substantial premium if it tried. Given the strategic price, an "America first" strategy is not a rational choice—and is in no way a bargain.

A DIFFERENT PATH

There is a better way. A wiser strategy, and one more in line with public opinion, would build trust in the United States' promises and reimagine the United States' role as a leader in solving the most difficult global challenges, even as it accepted that American primacy was not what it used to be. Under this strategy, the United States would nurture, rather than spurn, allies, cultivating a vital—and increasingly imperiled—advantage over China and Russia. Working in concert with like-minded states, Washington would protect the global economy so as to allow private commerce and free people to flourish even in the face of rising authoritarianism. At the same time, U.S. allies would be expected to take primary responsibility for their own defense.

Abroad, the United States would build out its nonmilitary tools of foreign policy, appointing ambassadors and building back up cadres of U.S. diplomats and development workers. At home, it would build up its sources of strength, devoting more resources to education (which, by increasing the pool of qualified candidates, reduces the costs of military recruitment and training), investing in R & D (which generates innovation that benefits the military), and letting in a healthy influx of immigrants with science, technology, engineering, and math skills (which would also promote innovation). The end result would be a lesser burden on the U.S. military—especially for security missions that fall short of war, such as cyber-operations and counterterrorism—and thus reduced defense costs.

Nevertheless, military capabilities still have an important role to play. The United States' armed forces underwrite its economic prosperity and strengthen its alliances. American diplomacy is stronger when it rests on military prowess, which gives credence to both commitments to allies and threats to enemies. To maintain that type of credibility, the United States will need to keep forces deployed overseas, especially in Asia and Europe. It will need to reaffirm its commitment to extended nuclear deterrence for its treaty allies, which has the added benefit of strengthening nonproliferation by reducing their incentives to go nuclear. It will need to contribute to combined efforts to head off threats in the air, the sea, space, and cyberspace. And it will need to retain its counterterrorism and crisis-response capabilities in and around the Middle East, even as it reduces its overall force levels in the region.

This strategy would require reshaping the defense budget. As ever, the military would need to navigate painful tradeoffs among readiness, investment, and structure, since all three types of spending are needed to keep pace with China and Russia. Yet because this strategy envisions a somewhat smaller force, the Pentagon could spend less on structure, which would in turn lessen the pressure on the other two categories. In terms of investment, it could favor long-term priorities over upgrades of current hardware. Spending on readiness would have to be kept high, although the absolute costs would go down since the force would be smaller.

At the same time as they reshaped the overall priorities of defense spending, policymakers could seek to generate the political courage and cultural changes to achieve savings within it. Here, domestic and foreign policy objectives can converge. Lowering overall health-care costs, for instance, also lowers the cost of military health insurance, which is second only to pay as the biggest driver of growing personnel spending in the military. Investments in education, infrastructure, and programs that help workers transition between jobs have the added benefit of making it easier for politicians to stop protecting manufacturing plants that produce yesterday's equipment and instead invest in capabilities for tomorrow. Strong trade with trusted democracies reduces the costs of supplying the military. Closing and consolidating excess defense installations is perhaps the hardest political hurdle to jump, but Congress could ease the pain by using existing transition-assistance programs to encourage commercial redevelopment in places that stand to lose military facilities.

But to truly achieve enduring capabilities and savings, the military would have to embrace a culture of innovation and experimentation. There are ways to encourage that. The secretary of defense could, for example, create special funds for which the various branches and commands of the military would compete, with the winning ideas getting written into the budget. The Pentagon could also place a premium on agility and foresight when it awarded promotions.

Together, these choices—reshaping overall strategy, pursuing politically difficult efficiency gains, and cultivating innovation—would yield substantial savings. After some upfront investment, the Defense Department could expect to reduce its annual costs by some \$20 billion to \$30 billion.

WHAT AMERICANS WANT

For too long, Washington has had an overly militarized approach to national security. A world in which the United States' primacy is fading calls for a new approach, especially as authoritarian competitors pursue new strategies to hasten the decline of American power. The time is right, then, for a grand strategy that expands the range of foreign policy tools well beyond what defense spending buys.

But for all the savings that can and should be had, it's worth remembering that the least expensive military is small, rarely used, inexpensively housed, and poorly paid. That is not a military that Americans want or need. Poll after poll has shown that a large majority of Americans believe that

their prosperity and security are tied to events beyond U.S. borders. Protecting the country from foreign threats and securing U.S. interests abroad will necessarily involve costly military power.

It's also worth remembering that the core of the United States' fiscal challenge is not discretionary spending, such as the budget for defense, but the inability to make up the shortfall between declining tax revenue and the increasing costs of the social safety net and growing interest on the national debt. In other words, the United States may not be able to finance the future it seeks primarily through defense savings. But it can build a better and more efficient defense for its future.

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