

EXECUTIVE SUMMARY

Debt, Deficits, and Defense

A WAY FORWARD



11 JUNE 2010

REPORT OF THE
SUSTAINABLE DEFENSE TASK FORCE

THE SUSTAINABLE DEFENSE TASK FORCE

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Task Force members serve as individuals. Affiliations are listed for identification purposes and do not imply organizational endorsement of the Task Force findings.

The Sustainable Defense Task Force was formed in response to a request from Representative Barney Frank (D-MA), working in cooperation with Representative Walter B. Jones (R-NC), Representative Ron Paul (R-TX), and Senator Ron Wyden (D-OR), to explore possible defense budget contributions to deficit reduction efforts that would not compromise the essential security of the United States. The Project on Defense Alternatives coordinated the work of the Task Force. Carl Conetta drafted the main body of the Task Force report in ongoing consultation with Task Force members who developed or digested proposals from the diverse sources cited in the report. A sub-committee of the Task Force reviewed the final draft before publication. It should not be assumed that all Task Force members endorse all items and sections of the report.

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Conservatives need to hearken back to our Eisenhower heritage, and develop a defense leadership that understands military power is fundamentally premised on the solvency of the American government and the vibrancy of the US economy.

– Kori Schake, Hoover Institution Fellow and former McCain-Palin Foreign Policy Advisor¹

A country that becomes economically weakened because it has shortchanged necessary domestic investments and carries excessive levels of debt will also eventually be a weaker country across the board. An overall defense strategy that is fiscally unsustainable will fail every bit as much as a strategy that shortchanges the military.

– John Podesta and Michael Ettinger, Center for American Progress²

Executive Summary

DEBT, DEFICITS, AND DEFENSE: A WAY FORWARD

Report of the Sustainable Defense Task Force, 11 June 2010

At a time of growing concern over federal deficits, it is essential that all elements of the federal budget be subjected to careful scrutiny. The Pentagon budget should be no exception. As Secretary of Defense Robert Gates noted in a recent speech, paraphrasing President Dwight D. Eisenhower, “The United States should spend as much as necessary on national defense, but not one penny more.”³

This report presents a series of options which, taken together, could save up to \$960 billion between 2011 and 2020. The proposals cover the full range of Pentagon expenditures – procurement, research and development, personnel, operations and maintenance, and infrastructure. Some involve changes in our military posture and force structure; others are more limited in scope, focusing on outdated, wasteful, and ineffective systems that have long been the subject of criticism by congressional research agencies and others. Taken together or in part, they could make a significant contribution to any deficit reduction plan.

There is no doubt that defense expenditure has contributed significantly to our current fiscal burden. This is true even aside from war costs. Today, annual discretionary spending is \$583 billion above the level set in 2001. Overall, the rise in defense spending accounts for almost 65% of this increase. Non-war defense spending is responsible for 37%. These portions are much greater than any other category of discretionary spending. The savings options that we have developed focus mostly on the “base” portion of the Pentagon budget, excluding expenditures slated to support overseas contingency operations. Those that would affect such operations are pegged explicitly to progress in concluding today’s wars.

Our recommendations fall in 6 areas:

- Strategic forces
- Conventional force structure
- Procurement, research, and development
- Personnel costs
- Reform of DoD maintenance and supply systems
- Command, support, and infrastructure expenditures

In developing its options, the Task Force has used a set of criteria to identify savings that could be achieved without compromising the essential security of the United States. We have focused especially on:

- Department of Defense programs that are based on unreliable or unproven technologies,
- Missions that exhibit a poor cost-benefit payoff and capabilities that fail the test of cost-effectiveness or that possess a very limited utility,
- Assets and capabilities that mismatch or substantially over-match current and emerging military challenges, and
- Opportunities for providing needed capabilities and assets at lower cost via management reforms.

Table ES-1 (page vi) provides an overview of the savings options we propose. Not all the contributors endorse all the options, but all agree they offer genuine possibilities for resource savings and deserve serious consideration. They are described in more detail below.

Table ES-1. Options for Savings in Defense

| | |
|--|-------------------|
| <i>Strategic Capabilities</i> | |
| 1. Reduce the US nuclear arsenal; adopt dyad; cancel Trident II <ul style="list-style-type: none">• 1000 deployed warheads• 7 Ohio-class SSBNs• 160 Minuteman missiles | \$113.5 b. |
| 2. Limit modernization of nuclear weapons infrastructure and research | \$26 b. |
| 3. Selectively curtail missile defense & space spending | \$55 b. |
| <i>Conventional Forces</i> | |
| 4. Reduce troops in Europe and Asia, cut end strength by 50,000 | \$80 b. |
| 5. Roll back Army & USMC growth as wars in Iraq and Afghanistan end | \$147 b. |
| 6. Reduce US Navy fleet to 230 ships | \$126.6 b. |
| 7. Only retire two Navy aircraft carriers and naval air wings | \$50 b. |
| 8. Retire two Air Force fighter wings, reduce F-35 buy | \$40.3 b. |
| <i>Procurement and R&D</i> | |
| 9. Cancel USAF F-35, buy replacement | \$47.9 b. |
| 10. Cancel USN & USMC F-35, buy replacement | \$9.85 b. |
| 11. Cancel MV-22 Osprey, field alternatives | \$10 b. – \$12 b. |
| 12. Delay KC-X Tanker, interim upgrade of some KC-135s | \$9.9 b. |
| 13. Cancel Expeditionary Fighting Vehicle, field alternatives | \$8 b. – \$9 b. |
| 14. Reduce spending on research & development | \$50 b. |
| <i>Personnel Costs</i> | |
| 15. Military compensation reform | \$55 b. |
| 16. Reform DoD's health care system | \$60 b. |
| 17. Reduce military recruiting expenditures as wars recede | \$5 b. |
| <i>Maintenance and Supply Systems</i> | |
| 18. Improve the efficiency of military depots, commissaries, and exchanges | \$13 b. |
| <i>Command, Support, and Infrastructure</i> | |
| 19. Require commensurate savings in command, support, and infrastructure | \$100 b. |

The option set could be implemented in whole or part. As an integrated set, it would entail:

- Reducing the US nuclear arsenal to 1000 warheads deployed on 160 Minuteman missiles and seven nuclear submarines,
- Curtailing nuclear weapons research and the planned modernization of the nuclear weapons infrastructure,
- Curtailing national missile defense efforts,
- A reduction of approximately 200,000 military personnel, yielding a peacetime US military active-duty end-strength of approximately 1.3 million,
- Capping routine peacetime US military presence in Europe at 35,000 and in Asia at 65,000, including afloat,
- Reducing the size of the US Navy from its current strength of 287 battle force ships and 10 naval air wings to a future posture of 230 ships and 8 air wings,
- Rolling back the number of US Army active-component brigade combat teams from the current 45 to between 39 and 41,
- Retiring four of the 27 US Marine Corps infantry battalions along with a portion of the additional units that the Corps employs to constitute air-land task forces,
- Retiring three US Air Force tactical fighter wings,
- Ending or delaying procurement of a number of military systems – the F-35 Joint Strike Fighter, MV-22 Osprey, KC-X Aerial Refueling Tanker, and the Expeditionary Fighting Vehicle – and fielding less expensive alternatives,
- Reducing base budget spending on R&D by \$5 billion annually,
- Resetting the calculation of military compensation and reforming the provision of military health care,
- Implementing a variety of measures aiming to achieve new efficiencies in DoD’s supply and equipment maintenance systems, and
- Setting a cost reduction imperative for command, support, and infrastructure expenditures.

SUSTAINABLE DEFENSE TASK FORCE OPTIONS

Strategic capabilities

Our options in this area would save nearly \$195 billion during the next decade. The United States should act now to accelerate the drawdown of nuclear weapons to a level of 1,000 warheads deployed on seven Ohio-class submarines and 160 Minuteman missiles. This is more than enough to ensure deterrence. Shifting to a nuclear “dyad” of land- and sea-based missiles would provide an optimal balance between efficiency and flexibility.

Missile defense efforts should be curtailed to focus on those systems and those missions most likely to succeed and provide real protection for our troops in the field. And we should roll back nuclear weapons research and limit efforts to modernize the weapon infrastructure. This best accords with a reduced emphasis on nuclear weapons, the smaller arsenal, and the general trend of arms control efforts.

Conventional force structure

No other nation or likely combination of nations comes close to matching US conventional warfare capabilities. Our options in this area seek to match conventional force capabilities more closely with the actual requirements of defense and deterrence. These are the tasks most appropriate to the armed forces and most essential to the nation. Focusing on them helps ensure that our investments are cost-effective. Our options on conventional forces would save the United States almost \$395 billion from 2011-2020.

Ground forces: We propose capping routine US military presence in Europe at 35,000 personnel and in Asia at 65,000 troops, and then reducing some force structure accordingly. We can rely on our incomparable capacities for rapid deployment to flexibly send more troops and assets to these regions if and when needed.

We also propose rolling back the recent growth in the Army and Marine Corps as progress in winding-down our Iraq and Afghanistan commitments allows.

This option views future conduct of protracted, large-scale counterinsurgency campaigns by the United States as strategically unwise and largely avoidable. Certainly, there are better, more cost-effective ways to fight terrorism.

Air forces: The experience of the United States in recent conventional wars, including the first two months of the Iraq conflict, show that we can safely reduce our tactical air power – both Air Force and Navy. The capacity of the US military to deliver weapons by plane or missile substantially overmatches existing and emerging threats. And the gap continues to grow. Also, entirely new capabilities, notably remotely piloted vehicles, are joining our air fleets in growing numbers. This option envisions a future air attack capability comprising between 1,600 and 1,750 Air Force, Navy, and Marine Corps fighter-attack aircraft and bombers in combat squadrons. Remotely-piloted vehicles would be additional.

Sea power: We can reduce the size of our Navy from the current fleet of 287 battle force ships to 230, although this will require using our naval power differently. Included in this fleet would be nine aircraft carriers. This option would keep fewer of our war ships permanently “on station,” partly by having them operate in smaller groups. It would put greater emphasis on surging naval power as needed. The firepower of our naval assets has grown dramatically during the past 20 years. In this light, the smaller fleet that we propose can meet America’s warfighting needs. The reduction in fleet size also reflects a smaller contingent of nuclear ballistic missile submarines, as proposed in the section on strategic capabilities.

Procurement

Regarding procurement, our options for saving \$88.7 billion from 2011-2020 focus mostly on cancelling or reducing systems with long histories of trouble and cost growth, such as the MV-22 Osprey and the Expeditionary Fighting Vehicle. These embody all that is wrong with the acquisition process. We also include the option of cancelling the F-35 Lightning and replacing it, for the time being, with advanced versions of aircraft already in service. Development of the F-35 is

rapidly going the way of the F-22 Raptor: late, over cost, and less capable than promised. However, even if this aircraft performed according to specifications, it would not be needed in order for us to defeat current and emerging challengers. America’s air forces are today the best in the world by a wide margin – not principally due to our technology, but instead due to the combination of technology, skill, training, morale, support, and coordination.

Research and development

Research and development has experienced more spending growth since 2001 than any other major DoD appropriation category. Today it stands at \$80 billion annually – 33% above the Cold War peak in real terms. And yet, today, we face no competitor in military technology comparable to the Soviet Union. We seem increasingly in a race with ourselves. The results have been uneven in terms of producing affordable capabilities that serve the needs of war fighters, however. Individual efforts by the armed services and defense agencies are too often disjointed and seemingly at odds with each other. In our view, DoD needs to exercise more discipline in this area and Congress needs to exercise more oversight. Our modest proposal is that DoD set clearer priorities and seek \$5 billion in savings per year or \$50 billion during the coming decade.

Command, support, and infrastructure

We propose that DoD seek more than \$100 billion in savings over the next decade in the areas of command, infrastructure, maintenance, supply, and other forms of support. The Congressional Budget Office and the Government Accountability Office have both outlined a variety of measures to achieve savings in these areas by means of streamlining, consolidation, and privatization. Additionally, the reductions we have proposed in force structure and procurement will reduce the demand on support services and infrastructure (albeit not proportionately). The goal we have set for savings in these areas is only 15% as much as what we propose for force structure and procurement. This much should be easily in DoD’s reach.

Personnel costs

Cost growth in military compensation and health care is a serious and increasing concern of military planners and leaders. Over the past decade personnel costs rose by more than 50% in real terms, while health care costs rose 100%. Secretary of Defense Gates recently described the problem as “eating the Defense Department alive.”⁴

The *Quadrennial Review of Military Compensation* has proposed that we recalibrate how military pay raises are set and that we increase health care fees and co-pays for some former military personnel between the ages of 38 and 65.⁵ The estimate for potential savings from such measures is \$120 billion over the decade, assuming gradual implementation as the wars wind-down. In our opinion, however, these options involve more than matters of simple economics. They can only go forward as part of a broader program of change.

We are a nation at war and these measures affect those who are making the greatest sacrifice. We have a responsibility to them and, thus, great care is due. If the rise in personnel costs has been extraordinary, so have been the demands placed on our military personnel. It is not simply war that bears down on them, but also *the way we have conducted it*. Some force utilization policies have been unwise and some personnel policies have been both unwise and unfair.

If cost growth in this area is to be addressed, it must be addressed as part of a compact that relieves our military personnel of the undue burdens of routine “stop loss” orders and long, repeated war rotations. Compensation levels for those fighting overseas must be protected and health care for the injured improved. Finally, we must accept that if we are to deploy 175,000 active-duty troops to war (as we do today), then we cannot also maintain another 142,000 troops overseas doing other jobs. Fiscal realities and proper treatment of our military personnel demand that we make choices.

SYSTEMIC CHANGE

The savings options we have outlined promise to provide immediate fiscal relief. They would help to bring the goal of meaningful deficit reduction within reach.

Nonetheless, they remain *ad hoc* steps. For the longer term, putting America’s defense establishment on a more sustainable path depends on our willingness to:

- *Rethink* our national security commitments and goals to ensure that they focus clearly on what concerns us the most and what we most need in the realm of security;
- *Reset* our national security strategy so that it reflects a cost-effective balance among the security instruments at our disposal and also uses those instruments in cost-effective ways; and
- *Reform* our system of producing defense assets so that it is more likely to provide what we truly need at an affordable cost.

Reform efforts

With regard to the third of these systemic goals, there is today renewed interest in reforming the ways we produce and sustain military power. However, those efforts have not yet gone far enough to assuredly deliver the type and degree of change needed. Among the tasks ahead, several imperatives stand out:

Audit the Pentagon: Today, DoD is one of only a few federal agencies that cannot pass the test of an independent auditor. This means that DoD cannot accurately track its assets – a condition that not only opens the door to waste and fraud, but also makes it difficult to gage progress in other areas of reform, including acquisition. DoD has been under obligation to get its books in order for 20 years, but has enjoyed the benefit of special dispensations and rolling deadlines: Most recently, a new deadline of September 2017 for audit readiness. Given current and emerging fiscal pressures, this is too generous. Moreover, strong incentives for compliance are lacking.

Determine mission costs: Beyond accurately accounting for its assets, the Pentagon needs to provide cost estimates for its core missions and activities, as suggested in 2001 by the Hart-Rudman Commission on National Security.⁶ Lawmakers might ask, How much of the defense dollar do we presently invest in counterterrorism, counterproliferation, the defense of Europe, or nuclear deterrence? At present, no one really knows. And until we do know, it will be difficult

to make fully rational decisions about the allocation of defense resources.

Strengthen acquisition reform: The finding by the Government Accountability Office that major weapons programs are suffering \$300 billion in cost overruns has sparked renewed interest in acquisition reform.⁷ Defense Secretary Gates and the Obama administration have promised to vigorously pursue such reforms. Congress has responded with the Weapons Systems Acquisition Reform Act of 2009. However, the Act needs to be strengthened if it is to substantially deliver on its promise. It creates the position of Director of Independent Cost Assessment, but there needs to be a mechanism for reconciling differences between the Director’s estimates and those of the Pentagon. With regard to competition requirements, it gives DoD too easy recourse to invoking waivers. The bar must be set higher. And there needs to be a simple prohibition on giving an outside contractor responsibility for evaluating the work or managing the contract of any entity with which that contractor is linked.

OTHER OPTION SETS

We include in our report two other sets of savings options that reflect different perspectives. Table ES-2 summarizes options developed in 2009 by the *Task Force for a Unified Security Budget*.⁸ These are part of its ongoing effort to rebalance our security investments, which presently are weighted too heavily to the military side.

Table ES-3 presents a set of options developed by scholars of the Cato Institute. It suggests the budget implications of a shift in US global strategy to a stance of “Offshore Balancing” or what the authors call a “strategy of restraint.”

The reductions in military spending summarized in Table ES-3 reflect a security strategy that aims to bring force from the sea to defeat and deter enemies, rather than keeping troops ashore in semi-permanent presence missions or in long-term policing roles.

Table ES-2. Unified Security Budget Task Force Proposed Defense Cuts for FY 2010 (figures in billions)

| <i>Program</i> | <i>Administration's FY 2010 Request</i> | <i>Proposed Cuts</i> |
|--|---|----------------------|
| Ballistic Missile Defense | 9.3 | -6 |
| Virginia-class Submarine | 4.2 | -4.2 |
| DDG-1000 | 1.6 | -1.6 |
| V-22 Osprey | 2.9 | -2.9 |
| Expeditionary Fighting Vehicle | 0.3 | -0.3 |
| F-35 Joint Strike Fighter | 10.4 | -7.4 |
| Offensive Space Weapons | 1.6 | -1.5 |
| Future Combat Systems | 3 | -1.5 |
| Research and Development | 79 | -5 |
| Nuclear Forces | 21 | -13.1 |
| Force Structure | na | -5 |
| Waste in Procurement and Business Operations | na | -7 |
| <i>Total</i> | | -55.5 |

Report of the Task Force on a Unified Security Budget for the United States, FY 2010 (Washington DC: Institute for Policy Studies and Foreign Policy in Focus, September 2009).

Table ES-3. Defense Reductions Associated with Restraint Strategy *

| | |
|---|------------|
| <i>Strategic Capabilities</i> | |
| 1. Nuclear arsenal (warheads) | \$100 b. |
| <i>Ground Forces</i> | |
| 2. Reduce the size of the Army | \$220 b. |
| 3. Reduce the size of the Marine Corps | \$67 b. |
| <i>Navy and Air Force</i> | |
| 4. Build/operate fewer aircraft carriers and associated air wings | \$43 b. |
| 5. Operate fewer ballistic missile submarines (SSBNs) | \$4 b. |
| 6. Build/operate fewer tactical submarines (SSNs/SSGNs) | \$34 b. |
| 7. Build/operate fewer destroyers | \$28 b. |
| 8. Build/operate fewer littoral combat ships | \$11 b. |
| 9. Reduce the number of expeditionary strike groups | \$9 b. |
| 10. Cancel the Maritime Prepositioning Force (Future) | \$17 b. |
| 11. Build/operate fewer Air Force fighters | \$89 b. |
| <i>Other Reforms, Procurement and RDT&E</i> | |
| 12. Cancel Expeditionary Fighting Vehicle | \$11 b. |
| 13. Terminate V-22 Osprey | \$15 b. |
| 14. Realign Missile Defense Program | \$60 b. |
| 15. Cut Pentagon civilian workforce | \$105 b. |
| 16. Reform Military Pay and Health Care | \$115 b. |
| 17. Reform DoD Maintenance and Supply Systems | \$13 b. |
| 18. Reduce RDT&E | \$70 b. |
| 19. Obtain Add'l Savings in Command, Support, and Infrastructure | \$100 b. |
| <i>Total</i> | \$1,111 b. |

* This set of options was developed by Benjamin Friedman and Christopher Preble of the Cato Institute.

NOTES

1. Kori Schake, "Stop spending so much on defense," *Foreign Policy Online*, 20 January 2010.
2. John Podesta and Michael Ettliger, "The Big Questions: Setting the Stage for Fiscal Reform for the New Deficit Commission," Center for American Progress, 26 April 2010.
3. *Report of The Tenth Quadrennial Review of Military Compensation, Volumes I & II* (Washington DC: Department of Defense, Undersecretary of Defense for Personnel and Readiness, February 2008, July 2008).
4. Secretary of Defense Robert M. Gates, Speech at the Eisenhower Library, Abilene, Kansas, 8 May 2010.
5. Gates, op. cit.
6. *US Commission on National Security, Creating Defense Excellence: Defense Addendum to Road Map for National Security* (Washington DC: US Commission on National Security/21st Century, May 2001).
7. GAO, *Defense Acquisitions: Assessments of Selected Weapons Programs* (Washington DC: Government Accountability Office, March 2010).
8. *Report of the Task Force on a Unified Security Budget for the United States, FY 2010* (Washington DC: Institute for Policy Studies and Foreign Policy in Focus, September 2009), p. 13.

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