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Vision Meets Reality: 2010 QDR and 2011 Defense Budget

POLICY BRIEF



By Travis Sharp

The 2010 Quadrennial Defense Review (QDR) portrays the security challenges of the future as fundamentally different from those of the past. In the 21st century, conventional U.S. military superiority will increasingly drive potential adversaries toward asymmetric responses to American power. Recognizing this new state of affairs, the QDR emphasizes the non-traditional threats posed by WMD terrorist attacks, hybrid warfare combining high- and low-tech tactics, and the loss of shared access to the global commons in air, sea, space, and cyberspace. Even potential competitors like China are more likely to attack the United States using asymmetric means, such as by countering American power in cyberspace rather than in a blue-water naval battle in the middle of the Pacific Ocean. Together, these asymmetric security challenges could erode America's freedom of action and ability to influence the course of world events in the years ahead – if the United States does not begin to prepare for them now.

While the new defense budget released alongside the QDR continues to reallocate resources in response to non-traditional threats, it is difficult to compel dollars and plans to follow words. The quip about past QDRs, “Civilians propose and Services dispose,” still holds true today. In its innovative “Quad Chart,” the 2006 QDR masterfully sketched out the four main challenges facing the United States in the future.¹ However, the Government Accountability Office judged that the 2006 report did not comprehensively consider “different options for organizing and sizing its forces to provide needed capabilities.”² Similarly, the 2010 QDR concedes that further narrowing of the gap between vision and reality may be required. In its own words, the new QDR “describes *some* of the tradeoffs that DOD’s (Department of Defense) leaders have identified to enable the rebalancing of U.S. military capabilities,” but admits, “More such tradeoffs could be necessary in the future.”³

The new QDR and defense budget illustrate the challenge of matching vision to reality, even with over 700 billion dollars in annual funding for the Department of Defense. Closing the distance between strategic priorities listed in the QDR and realistic budgetary plans to implement them will prove a major challenge in 2010 due to persistent structural constraints on reallocating defense spending. These constraints include rising costs for military personnel, operations and maintenance,

Chart 1: Pentagon Budget Requests: 2010 vs. 2011
(budget authority in billions of current dollars)

	FY 2010	FY 2011	Nominal growth*	Real growth**
DOD base budget	534	549	2.8%	1.4%
Afghanistan & Iraq	163***	159	-2.5%	-3.8%
Total	697	708	1.6%	0.2%

Source: Office of Management and Budget
*not inflation adjusted **inflation adjusted
***includes \$33 billion supplemental

and weapons systems; continued spending on military operations in Afghanistan and Iraq; and the growth in federal spending on mandatory programs such as Social Security. Moreover, last year's overall success in reshaping the defense budget does not mean that members of Congress will unflinchingly accept and implement the vision illuminated by the new QDR. Some lawmakers may favor the status quo during 2010 thanks to the lingering economic recession and upcoming congressional midterm elections.

The remainder of this policy brief will summarize the Fiscal Year (FY) 2011 defense budget request, place it in the context of the QDR and historical budgetary trends, and outline the uncertain budgetary future that looms ahead.

The 2011 Budget

On February 1, the Obama administration released its FY 2011 budget request. The new budget seeks 549 billion dollars for the DOD base budget, which excludes war costs. This represents a nominal (not inflation adjusted) increase of 2.8 percent and a real (inflation adjusted) increase of 1.4 percent over the FY 2010 request. Since 2001, the base budget has grown by an average of four percent per year above inflation. The new budget also seeks 159 billion dollars for military operations in Afghanistan and

Iraq during FY 2011, as well as 33 billion dollars in supplemental funding for FY 2010 to support the troop increase in Afghanistan. In sum, the administration recommends spending 708 billion dollars on the Department of Defense in FY 2011.

Long Term Trends

U.S. defense spending has increased dramatically since the terrorist attacks of September 11, 2001. The Pentagon base budget has grown by 40 percent in real terms since 2001. When including war costs, Pentagon spending has grown by 70 percent in real terms since 2001.

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In inflation-adjusted dollars and including war costs, the FY 2011 Pentagon budget request is 13 percent higher than the Korea War peak (624 billion dollars); 33 percent higher than the Vietnam War peak (534 billion dollars); 23 percent higher than the Reagan-era 1980s peak (574 billion dollars); 64 percent higher than the Cold War average (432 billion dollars); and 15 percent higher than the post-9/11 average (618 billion dollars).

Though the Pentagon budget is historically large in real terms, Charts 3 and 4 show that it appears much smaller when expressed as a percentage of gross domestic product (GDP) or as a proportion of total federal spending. In FY 2011, the DOD base budget request equals approximately 3.5 percent of GDP and 14 percent of projected federal outlays. When including war costs, the request equals 4.6 percent of GDP and 18 percent of projected outlays.

Chart 2: Pentagon Budget Since 2001
(in constant FY 2011 dollars)

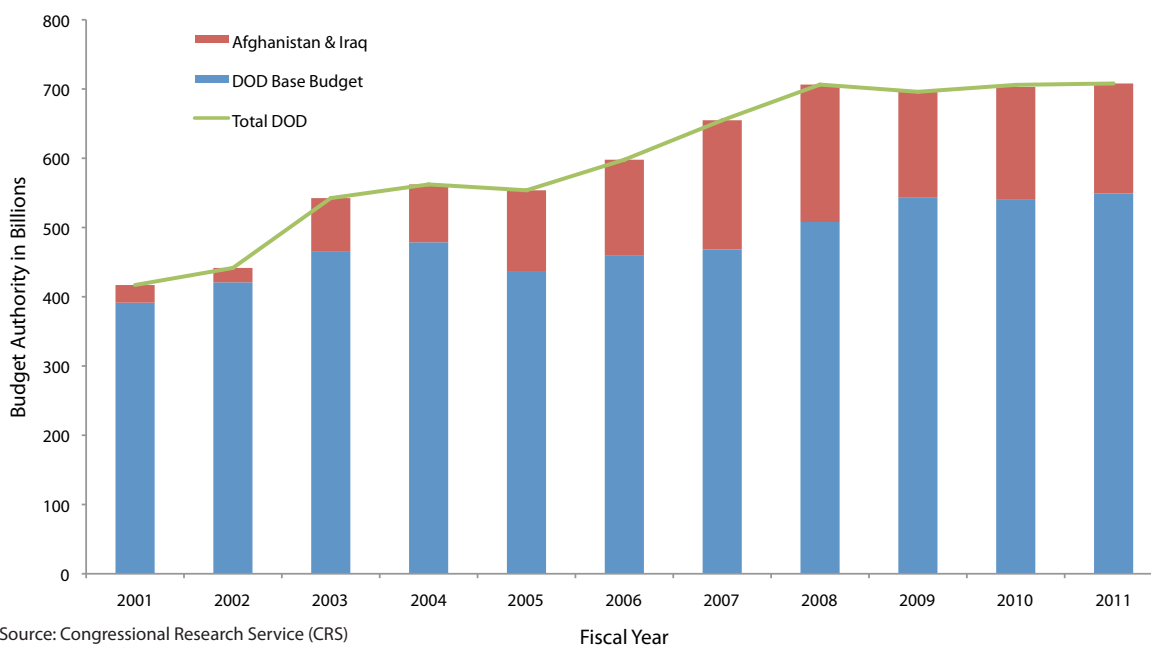


Chart 3: Pentagon Budget Since 1948
(in constant FY 2011 dollars – includes war costs)

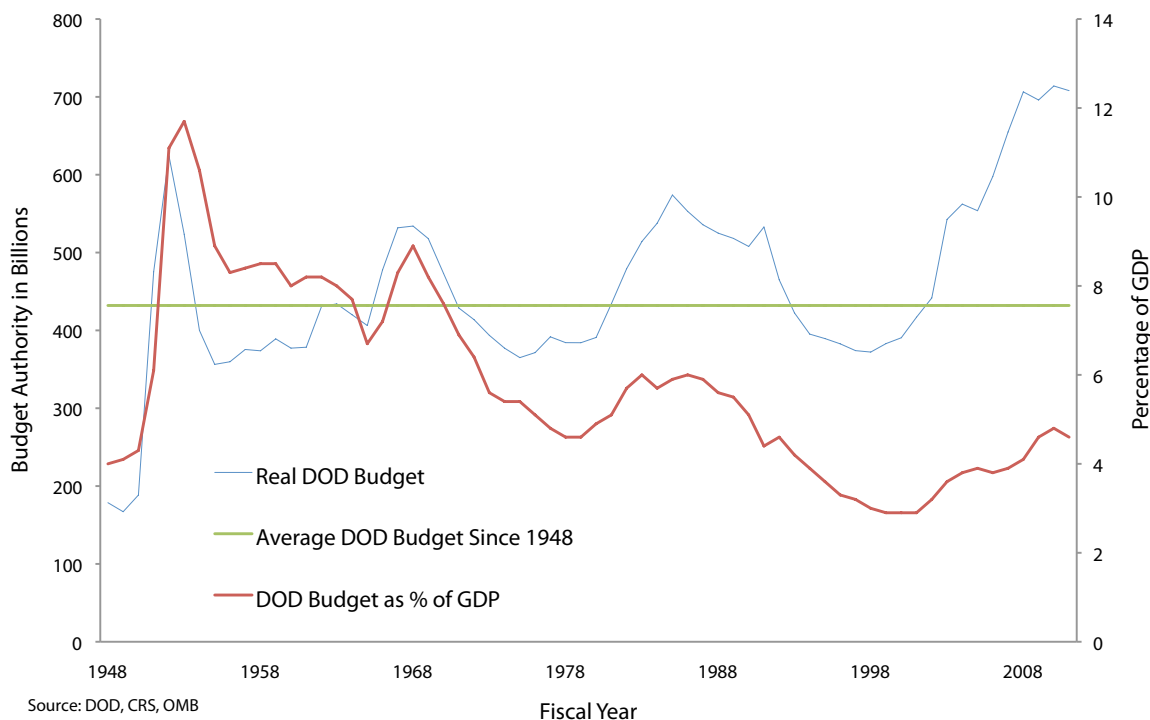
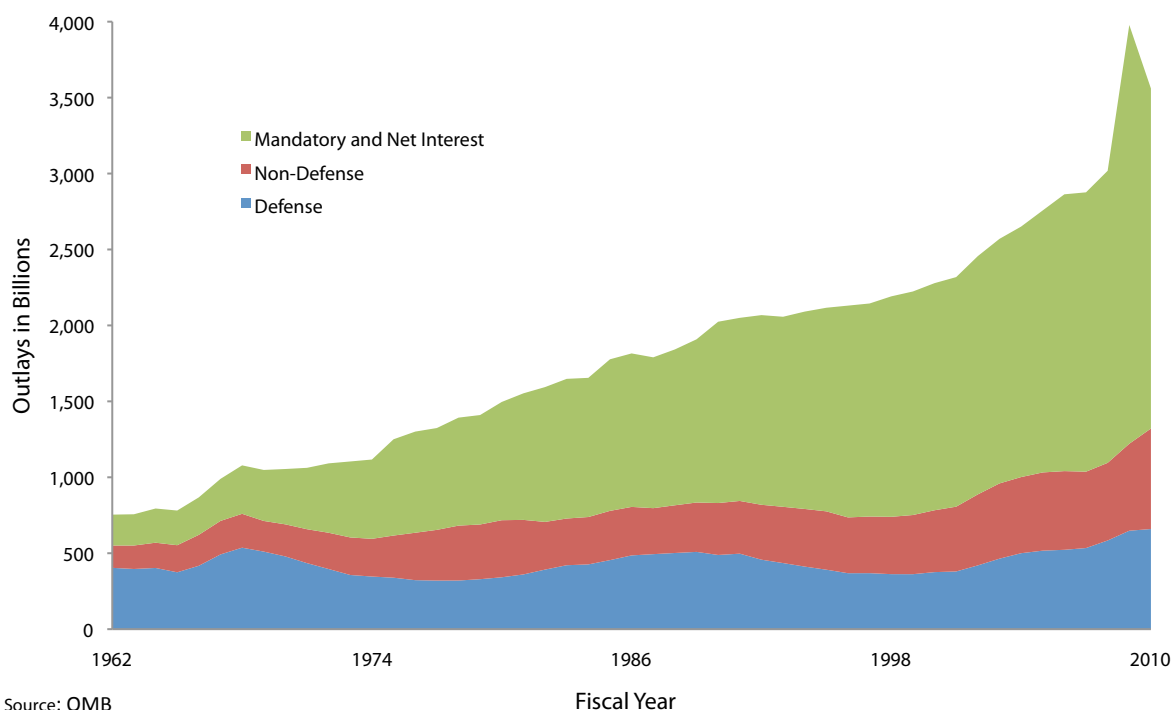


Chart 4: Pentagon Budget and Federal Spending Since 1962
(in constant FY 2011 dollars – excludes war costs)



Today's relatively low ratio of defense spending to GDP has led some to suggest that four percent of GDP should be a baseline for the DOD base budget. For example, Secretary of Defense Robert Gates stated that four percent of GDP should represent a "benchmark as a rough floor of how much we should spend on defense."⁴ Admiral Michael Mullen, chairman of the Joint Chiefs of Staff, remarked, "I really do believe this four percent floor is important...given the world we're living in, given the threats that we see out there, the risks that are, in fact, global, not just in the Middle East."⁵ A spokesperson later clarified that Admiral Mullen did not believe the budget should be "indexed" to GDP, but rather that GDP should serve as a reference to "stimulate discussion relative to the affordability of increased defense spending in a challenging security environment."⁶ Multiple

nongovernmental analysts have weighed in either to support⁷ or criticize⁸ what has become a contentious debate.

Admiral Mullen's clarification, while certainly not the end of the discussion, addresses the crux of the issue. Policymakers should not rely too heavily on any single metric – whether dollars expressed in real terms or as a percentage of GDP – and thereby ignore the complexities inherent in something as unwieldy as the U.S. defense budget. The affordability of defense spending must be vigorously and openly debated so that political leaders can make the best-informed decisions possible in today's dangerous world.

An Uncertain Future

The strategic rebalancing called for by the 2010 QDR will confront structural constraints that will make change difficult to implement.⁹ These impediments, which are deeply rooted and long running, include:

- Rising personnel costs for the Department of Defense's military forces and civilian employees, which are being compounded by 1) increases in the end-strength size of the Army and Marine Corps; and 2) the addition of 19,200 new governmental acquisition workforce employees.
- Growing DOD operations and maintenance (O&M) costs.
- Higher price tags for advanced weapons systems, including the additional acquisition costs associated with design problems and schedule slippages.
- The cost of operations in Afghanistan and Iraq, which 1) may not immediately decrease when troops are withdrawn if historical precedent is any guide; and 2) will require future investments to bring depleted equipment stocks back to pre-war standards.¹⁰
- Steady growth in federal spending on mandatory programs such as Social Security and Medicare, which will increasingly squeeze discretionary spending in other areas, including national defense.

Taken together, these trends leave alarmingly little room to maneuver. They present formidable obstacles to strategic flexibility, as well as budgetary realignment when needed, in the pursuit of national security needs.

In the years ahead, fierce competition for federal budgetary resources may prevent the Pentagon from receiving enough money to do all of the things it has already committed to doing, let alone

the things required to cope with emerging non-traditional security threats. When combined with byzantine congressional and interagency budget processes, which are not conducive to "whole-of-government" approaches to national security, the structural constraints described above are a significant drag on responsive, forward-oriented strategies for overcoming the wide range of irregular, disruptive, and catastrophic challenges to the United States laid out in the 2010 QDR.¹¹

Excluding costs for Afghanistan and Iraq, the DOD base budget must average 567 billion dollars per year between 2011 and 2028 in order to carry out current plans.

In the wake of the worst economic crisis since the Great Depression, political leaders may be reticent to increase defense spending and to keep it elevated for most of the next two decades, as would be required to execute existing initiatives. Excluding costs for Afghanistan and Iraq, the DOD base budget must average 567 billion dollars per year between 2011 and 2028 in order to carry out current plans.¹² Defense policymakers should not delude themselves into thinking that it will be easy to secure this high level of funding over such a long period. The Pentagon will struggle to obtain resources as it competes against ballooning interest on the national debt, non-defense domestic priorities, and a generation of baby boomers driving mandatory spending higher than ever. Further, public opinion polls show that over 70 percent of Americans think current defense spending levels are either "about right" or "too much."¹³ Even if the required funding were to be appropriated, the high costs for personnel, operations and maintenance, and the wars in Afghanistan and Iraq threaten to crowd out investments in procurement and research and development, which together provide

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new solutions for today, such as mine-resistant ambush protected vehicles, and alternative options for tomorrow, such as unmanned aerial vehicles and the next generation bomber.

Thus, the Pentagon cannot rely on American taxpayers' future largesse. Instead, the Department of Defense should concentrate on putting its own house in order by using the new QDR as a mandate to continue to bring strategic vision and force plans into closer alignment. In making these tough decisions, however, the Department of Defense must also clearly explain to Congress and the American people the attendant risks. The Pentagon cannot alter its force plans without serious repercussions for the policies of U.S. allies, the strategies of potential U.S. adversaries, and the robustness of the defense industrial base.

Conclusion

Pre-existing budgetary commitments make it difficult for the Pentagon to devote adequate resources to the new capabilities necessary for success in missions U.S. troops are actually performing today and are likely to perform tomorrow. Despite the persistent challenges of global terrorism and two ongoing wars, the Department of Defense still spends more each year on administrative activities like claims processing than on the special operations forces that are so important for success in Afghanistan, Iraq, and counterterrorism missions.¹⁴ The Pentagon also continues to pay for major defense acquisition programs, initiated decades ago in some cases, which no longer serve current security needs.

Reforms to the defense budget made by Secretary Gates last year certainly brought the Department of Defense's priorities and plans into much closer alignment. Indeed, last year's FY 2010 budget will likely go down in history as one of the most revolutionary budgets ever because of the specific programmatic changes made to approximately 50 weapons systems. The new FY 2011 budget does not recreate the fireworks of last year. Instead, it consolidates last year's gains within a long-term evolutionary framework in accordance with the future needs of the U.S. military.¹⁵

Yet more hard tradeoffs are still required to ensure that the commitments of the past do not become a strategic drag on overcoming the challenges of the future. The worst case scenario going forward is that policymakers whistle past the graveyard by avoiding difficult choices today – only to discover five years from now that things have become even less fiscally sustainable and that the United States is still not prepared for the uncertain future that lies ahead.

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Endnotes

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13. Lydia Saad, "Americans More Upbeat About U.S. Defense Readiness," *Gallup.com* (26 March 2009), <http://www.gallup.com/poll/117100/Americans-Upbeat-Defense-Readiness.aspx>.

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U.S. soldiers with the 3rd Zone Security Forces Advisory Team and Afgan border policemen cross a river bed in Kandahar province, Afghanistan, Dec. 22, 2009.

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