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Of Men and Materiel: The Crisis in Defense Spending

By Gary J. Schmitt

The defense budget has grown appreciably since the September 11, 2001, terrorist attacks. But too little of the increase has gone to purchase new equipment or to increase the size of the Army and the Marine Corps. The result has been a “hollow buildup” that makes it increasingly difficult for the U.S. military to carry out its part of America’s national security strategy.

Unprecedented. In August 2006, General Peter Schoomaker, the Army chief of staff, refused to submit an Army budget proposal for fiscal year (FY) 2008 to Secretary of Defense Donald Rumsfeld. The Air Force and Navy heads met the August 15 deadline, but General Schoomaker, limited to a \$114 billion budget top line by the Pentagon’s civilian leadership, simply said no. The Army was seeking a top line of \$138 billion. As he explained in a speech at the National Press Club shortly thereafter: “There is no sense in submitting a budget that we cannot execute . . . a broken budget.”¹ For the first time in anyone’s memory, a service chief was allowed to ignore a secretary of defense’s budget guidance and appeal directly to the Office of Management and Budget (OMB) for relief.²

But a one-time bump in the Army’s budget will not cure what ails it. The logjam of tanks and other military vehicles and helicopters is massive. Some 2,000 tanks, M2 Bradley fighting vehicles, and Humvees await repairs at various Army depots. To begin to address this problem, the Army requested and received a supplemental of

\$17 billion this year to repair and replace vehicles worn out or destroyed in Iraq and Afghanistan. It believes it will need an extra \$13 billion next year and similar amounts for the following years just to stay on top of the problem.³ As Army officials explained to Congress last year, the service was already \$50 billion short in equipment before the terrorist attacks of September 11, and with the wars the equipment deficit has only grown worse.⁴

Equally significant, the men and women of the Army are exhausted. We are now in the sixth year of the global War on Terror. Sustaining operations in Afghanistan, Iraq, and around the world has come at a high cost. It is increasingly difficult to keep 150,000 soldiers in the field, fighting year after year, with an active duty force of some 500,000—and not wear out that force. By not expanding the Army’s numbers significantly, the Pentagon now has on its hands a force whose overall readiness is faltering. Faced with continual rotations into and out of the theaters of conflict, the Army reportedly has no more than 10,000 soldiers who are not currently deployed and who are at the level of readiness necessary to handle a new military crisis should one occur.

Although the Army (and to a lesser extent the Marine Corps) has borne the brunt of the recent wars, both the Air Force and Navy face significant

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budget woes as well.⁵ In the case of the Air Force, its fleet of last-generation fighters and fighter bombers is showing its age through increased metal fatigue. The refueling tankers, which give those short-range fighters the “legs” necessary to sustain operations over distant targets, are now three times the average age of comparable commercial jets now flying. Its bomber fleet is old and so numerically small—there are fewer than 200—that it would be hard-pressed to sustain operations over a prolonged period against a major military power. According to Air Force chief of staff General T. Michael Moseley, his service is at least \$20 billion short of funds for this year and for each succeeding year.

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Of all the services, the Navy seems the least stressed. Yet it too faces major budgetary pressures in the years ahead. The “600-ship” Navy of the 1980s dropped to less than 400 ships by 1995, the smallest battle fleet since before World War II. And it has continued to shrink, falling through the 300-ship benchmark in 2003 on its way to a floor of some 280 ships. The Navy hopes to turn that trend around and rebuild the fleet to 313 ships, a size that it believes is necessary to handle possible major military contingencies—such as a North Korean invasion of South Korea or a Chinese attack against Taiwan—while at the same time carrying out its other global responsibilities.

But even the Navy anticipates a flat service budget in the years ahead. According to the Congressional Budget Office (CBO), the Navy is underestimating its planned shipbuilding costs by as much as \$5 billion per year over the next three decades. The Navy’s modest goal of a 313-ship fleet is based on optimistic assumptions by the Navy. Among the more problematic of these assumptions are that Navy personnel costs will remain flat; that fleet operations and maintenance costs will not rise; that the target costs for building new ships across every ship class will be accurate; and that the

Navy’s own major aviation procurement plans over the next two decades will not balloon in cost and, in turn, reduce available funds for shipbuilding. The Navy might have better luck playing the slots in Las Vegas than in betting that each of these assumptions will come up aces.⁶

The problems described above may be surprising to most Americans, given that the defense budget has grown appreciably since the September 11 attacks. Recently, President George W. Bush signed the 2007 Defense Authorization bill, which provides some \$463 billion for the Pentagon and an additional \$70 billion, for ongoing costs related to the fighting in Iraq and Afghanistan. The United States will now be spending more than half a trillion dollars on its military in the year ahead. That is a lot of money by any account.

Yet as Andrew Krepinevich of the Center for Strategic and Budgetary Assessments has noted, America’s military buildup has been “a hollow buildup,” filled largely with funds for operations, maintenance, readiness, and health care—but not for the acquisition of new military systems or added manpower.⁷ To be sure, between FY 2000 and FY 2006, spending for planes, ships, and systems increased from \$55 billion to \$78 billion, and the Army’s end strength was bumped up by 30,000 troops. Nevertheless, these increases are inadequate given the needs of the military, the wear and tear of war on both men and materiel, and the set of global responsibilities placed on the American military by existing treaty obligations and the strategic policies of the last two presidents.

How Did We Get Here?

The collapse of the Soviet Union inevitably gave rise to calls to cut America’s Cold War force structure. Throughout the 1990s, that is precisely what happened. But these cuts were based on the mistaken premise that the active duty forces of the early 1990s were the same forces with which the United States would have gone to war against the Soviet Union and its allies. In reality, America’s active duty forces were stationed around the world to buy time until the United States and its allies could muster the additional hundreds of thousands of reserve troops needed to wage the actual war. The force of the early 1990s was, in effect, America’s global placeholder, deterring threats in key regions of the world and reassuring allied states that the United States would be there should a conflict erupt. Yet these tasks remain. The decision to cut U.S. forces since then has made it increasingly

difficult to provide this necessary global presence, especially when combined with the fact that the American military has been asked to take on mission after mission (Panama, the first Gulf War, the Balkans, Haiti, Somalia, Afghanistan, and Iraq) since the Cold War's end.⁸

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As a nation, we could have said no to all or most of those missions. Yet one of the most striking facts of the post-Cold War era has been that both Bill Clinton and George W. Bush took office determined to have America play a less active day-to-day role on the world stage. Clinton left and Bush will leave office having accepted the same basic fact of international life: in the absence of an effective system of global governance, the United States will inevitably be left with the primary responsibility for keeping the peace. Moreover, doing so means that we will also be in the cross hairs of those whose agendas we frustrate by playing that role, requiring in turn a commitment on our part to deter and, if necessary, confront them militarily. In short, while many have suggested that the United States undertake fewer overseas commitments, the logic of the international system is such that no administration—Democratic or Republican—has seen fit to stem the demand for U.S. forces. Unlike the title of the old Broadway play, *Stop the World—I Want to Get Off*, the United States cannot just withdraw.

When it comes to providing adequate resources for our military, however, we seem to act as though we can. Beginning in the early 1990s, Washington dug a hole for the military from which the services have yet to climb out. Comparing the final defense plan put forward by the George H. W. Bush administration in 1992 for the Future Years Defense Program with what the Clinton administration actually spent over those years, the net reduction totals \$162 billion. Although Congress added \$50 billion to the Clinton administration's requests through budget amendments and supplemental spending bills, most of the additions went to cover shortfalls in

operations and readiness. These added funds did not "buy back" the administration's deferred procurement of weapons and its cuts in active duty personnel. Indeed, the Clinton administration's last budget (FY 2001) was the first to fulfill its own stated goal of providing \$60 billion for new equipment and systems—a goal that had been set years before.⁹ In other words, even by the Clinton Pentagon's own measure, the procurement deficit was approaching \$70 billion.¹⁰ Others placed the figure considerably higher. For example, the Joint Chiefs of Staff had put the bottom-line figure for procurement at \$75 billion a year.¹¹ In 2000, the CBO was arguing that some \$90 billion was needed annually just to maintain a steady rate of procurement for the forces then in place.¹²

Given the Bush team's campaign rhetoric in 2000 that "help [was] on the way" for the military, one might have expected the Bush administration to have substantially increased procurement spending. It has not. If the CBO estimate is taken as a baseline, the shortfall in spending from the Bush years now totals an additional \$100 billion. And, for FY 2007, the defense procurement budget remains at just over \$84 billion, below the \$90 billion target suggested by the CBO. When inflation is taken into account, the shortfall is even larger in real terms.

Nor has there been much relief on the personnel front. From 1989 to 1999, military end strength was cut from 2.1 million to 1.4 million. For the Army in particular, this meant a dramatic reduction in the number of divisions—from eighteen to ten. As early as 1997, the House Armed Services Committee reported that the Army was being worn down by repeated deployments and that readiness levels were low and getting lower. Factor in two major wars, stabilization, counterterrorism, and counterinsurgency operations, and the marginal increase in Army manpower (approximately 30,000) in recent years is little more than a Band-Aid for what ails America's ground forces.

When the military became an all-volunteer force, the United States undertook an implicit contract with those signing up for military service. In exchange for a young man or woman's commitment to serve and fight for the nation, the country would provide him or her with decent pay and a chance to raise a family in an American middle-class lifestyle. Military pay and benefits have largely kept up with this promise. But with the size of the present active-duty force and repeated deployments to Iraq and Afghanistan, we have created a situation in which military families—especially those in the Army and the Marines—are being pulled apart as husbands,

wives, and parents are constantly rotated into and out of the theaters of war. To maintain a force of 150,000 in Iraq and Afghanistan requires a base force larger than today's if we expect to keep readiness levels adequate, train and educate officers, and not exhaust the men and women who are putting their lives on the line.

The Five Percent Solution

If the government's projected budgets hold true, these problems will only get worse. According to OMB budget tables, defense spending is expected to decline from 4.1 percent of gross domestic product (GDP) in 2006 to 3.1 percent by 2011.¹³ Yet because of deferments in procurement from the early 1990s on, there is a planned wave of new systems and platforms coming on line in the years ahead to replace and upgrade worn-out and outdated equipment. This "procurement bow wave" cannot possibly be met under current spending plans.¹⁴ If the Pentagon's budget is not increased, it is inevitable that the American military will shrink in terms of both materiel and manpower. And, in turn, the gap between what our national security strategy calls for and what the men and women of the U.S. military are able to provide will continue to grow.¹⁵

Although the defense budget has increased, the non-war budget (which excludes the supplemental appropriations passed each year to pay for operations in Iraq and Afghanistan) has grown by only 22 percent when adjusted for inflation.¹⁶ The Pentagon is not breaking the nation's bank. On the contrary, as a share of both the economy and the federal budget, military spending has been declining. In FY 1991, for example, defense expenditures accounted for over 20 percent of federal outlays; in FY 2011, they are expected to account for just 16 percent.

Despite the fact that the country is at war, defense spending as a percentage of the national economy remains low relative to any set of years since World War II. Hence, as AEI visiting scholar Lawrence Lindsey, the former chairman of President Bush's Council of Economic Advisers, has noted, the U.S. economy is more than able to handle what needs to be spent on defense. That cost, moreover, like any investment, should be calculated based on the benefits it secures: success in Iraq, the defeat of the global jihadists, and deterrence of other hostile states would be an immense return on money spent.¹⁷ Dedicating 5 percent of the country's GDP—a nickel on the dollar—to defense is a wise investment.

Winning in Iraq and Afghanistan, winning the global War on Terror, having the arms and men to react to a new crisis—be it with Iran, North Korea, or an imploding Pakistan—and preparing the military to hedge against a rising China are all tasks that the United States and its military will face in coming years. Attempting to carry out those missions within planned defense budgets is a recipe for failure—and one potentially far more costly than the increased spending necessary to tackle each of these missions effectively.

AEI research assistant Rebecca Weissburg and editorial assistant Evan Sparks worked with Mr. Schmitt to edit and produce this National Security Outlook.

Notes

1. Cited in Peter Spiegel, "Army Warns Rumsfeld It's Billions Short," *Los Angeles Times*, September 25, 2006.
2. Thom Shanker and David S. Cloud, "Rumsfeld Shift Lets Army Seek Larger Budget," *New York Times*, October 8, 2006. According to news reports, the Army's appeal to the OMB to increase its budget for next year has not panned out. (David S. Cloud, "White House Is Trimming Army Budget for Next Year, Officials Say," *New York Times*, October 28, 2006).
3. Fred Kaplan, "How Bush Wrecked the Army," *Slate*, September 25, 2006, available at www.slate.com/id/2150337 (accessed October 24, 2006); and "Army Gets \$17B to Reset Equipment," *Defense News*, October 9, 2006.
4. Thom Shanker and Davis S. Cloud, "Rumsfeld Shift Lets Army Seek Larger Budget."
5. Loren B. Thompson, "An Aging Air Force Struggles to Keep Its Edge," *Lexington Institute Issues Brief*, October 11, 2006, available at <http://lexingtoninstitute.org/1000.shtml> (accessed October 24, 2006); "U.S. Military Services Talk Budget Directly with OMB," *Defense News*, September 18, 2006; and "USAF Secretary Polishes Sales Pitch," *Defense News*, September 18, 2006.
6. Robert O. Work, "Numbers and Capabilities: Building a Navy for the 21st Century," chapter in a forthcoming AEI Press book on defense needs, edited by Thomas Donnelly and Gary J. Schmitt.
7. Cited in Dave Ahearn, "Weapons Systems Seem Unaffordable in Coming Years," *Defense Today*, February 22, 2006.
8. Even before the wars in Afghanistan and Iraq, the U.S. military was busy. As the House Armed Services Committee noted in the report accompanying the Defense Authorization Act for FY 2001, "The U.S. armed forces were employed overseas more times in the past decade than in the previous forty-five years. Since 1989, the Army has participated in thirty-five

major deployments.” (House Committee on Armed Services, *Report on H.R. 4205, National Defense Authorization Act for Fiscal Year 2001*, 106th Cong., 2nd sess., 2001, H. Rep. 106-616, 12, available at <http://armedservices.house.gov/billsandreports/106thcongress/hr4205committeereport.pdf> [accessed October 24, 2006].)

9. Bradley Graham, “Pentagon Leaders Urge Accelerated 50 Percent Boost in Procurement,” *Washington Post*, November 11, 1995.

10. In testimony before Congress prior to stepping down from his position as deputy secretary of defense, John Hamre noted: “Even though [the Clinton administration] got to \$60 billion in [its] modernization budget, we’re still not really making up for the hole that we dug for ourselves during . . . the second half of the ’80s and the ’90s.” (House Committee on Armed Services, *Report on H.R. 4205*, 15.)

11. See Anthony H. Cordesman, *Trends in U.S. Defense Spending: The Size of Funding, Procurement, and Readiness Problems* (Washington, DC: Center for Strategic & International Studies, 2000), 7, available at www.csis.org/index.php?option=com_csis_pubs&task=view&id=1668 (accessed October 24, 2006). For a direr estimate of the procurement budget problems, see Daniel Gouré and Jeffrey M. Ranney, *Averting the Defense Train Wreck in the New Millennium* (Washington, DC: Center for Strategic and International Studies, 1999).

12. Congressional Budget Office, *Budgeting for Defense: Maintaining Today’s Forces*, September 2000, summary, available at www.cbo.gov/showdoc.cfm?index=2398&sequence=1 (accessed October 24, 2006).

13. *Budget of the United States Government, Fiscal Year 2007: Historical Tables* (Washington, DC: Government Printing Office, 2006), 136, available at www.gpoaccess.gov/usbudget/fy07/pdf/hist.pdf (accessed October 24, 2006).

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15. National Security Council, *The National Security Strategy of the United States* (Washington, DC: The White House, 2002 and 2006), available at www.whitehouse.gov/nsc/nss/2006/ (accessed October 24, 2006).

16. Stephen Daggett, *Defense Budget: Long-Term Challenges for FY 2006 and Beyond*, report prepared for the Congressional Research Service, April 20, 2005.

17. Lawrence B. Lindsey, “National Security Report Card” (conference presentation, Heritage Foundation, Washington, DC, April 21, 2006).