

## DEFENSE BUDGETS AND AMERICAN POWER

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Mr. Chairman, Mr. Ranking Member, other Members of the Committee, it is an honor to appear before the committee today. That is especially true for a Congressional Budget Office alum like myself who remembers well working for senators Domenici and Sasser and others some two decades ago, when the Cold war ended and we were collectively trying to reduce defense budgets responsibly.

That is again our challenge today. As former chairman of the joint chiefs, Admiral Mike Mullen, has persuasively argued, federal debt and with it the possible erosion of our national economic foundations have become national security threats themselves. I begin from the premises that the right dose of defense budget cutbacks, as part of comprehensive deficit reduction, can strengthen American power and influence over time. Put differently, it can be the least risky option—accepting some near-term, modest, and calculated reductions in military strength now to help shore up our longer-term economic prospects and with them our long-term national security.

As I argued in my 2011 book, *The Wounded Giant*, no great power in history has remained great while its economy eroded. Trillion dollar deficits are not compatible with U.S. economic health, as Brookings colleagues such as Alice Rivlin have convincingly shown, and thus they are not compatible with long-term American global leadership. And as another Brookings colleague, Robert Kagan rightly argues in his new book, there is no credible alternative to U.S. leadership at present. Absent such leadership, the general stability among major powers that we take for granted in today’s world would no longer be such a given, and extremist states such as Iran and North Korea might feel further emboldened to assert themselves aggressively in their respective regions as well. The

trick is to get the balance right, and to combine defense budget reductions of the right magnitude and character with other measures of fiscal restraint and revenue increases.

The Obama administration's new defense strategy and budget plan, building on earlier cuts made by Secretary Gates during his tenure in office, is a good step in the right direction in my eyes. In fact it gets us, responsibly, most of the way towards where we need to go in defense—even if I would submit respectfully that neither the administration nor the Congress has done as well in regard to entitlement spending or tax reform. As a result of this budget, national security spending would decline from current levels of about 4.5% of GDP to just over 3%. (For comparison, norms were 8 to 10 percent of GDP in the 1950s and 1960s, 5 to 6 percent in the 1970s and 1980s, 3 percent by the end of the 1990s, and 4 percent during most of the Bush presidency). Looked at differently, U.S. defense spending as a share of the global total will decline from about 45 percent in recent years to 35 percent or so, and the American military edge over China might decline from roughly 4:1 today (using Pentagon estimates of China's actual military spending adjusted for purchasing power parity) to 3:1 within half a decade.

While the above statistics, especially defense spending as a percent of GDP, show that it would be wrong to view the Pentagon's budget as the main fiscal challenge facing the nation, I believe modest additional cuts are possible and could be helpful. Sequestration would be far too drastic and abrupt, and the law requiring sequestration to begin in January should be overturned sooner rather than later, as my colleague from AEI Mackenzie Eaglen and I have argued in a written article. But some further economies still seem possible (here of course I speak just for myself), beyond those currently proposed.

Some cuts in programs and forces will be needed, I estimate, simply to comply with the first tranche of cuts mandated by the Budget Control Act (that is, the \$487 billion in ten-year savings, or \$350 billion when scored against the CBO baseline). I believe the Obama force posture and weapons modernization plan is more expensive than the Pentagon believes, and that sustaining it will require more funding than presently allowed

under the Budget Control Act. Like most administrations before it, this one appears to have been optimistic in its assessments of how much its preferred force posture will cost.

But rather than couch my argument in those terms, I will use the rest of this testimony to identify additional changes in force structures and weapons plans and other military programs that could be considered, along with the rough ten-year savings that could result. One key warning is worth underscoring: I believe they would involve some modest national security risk. They would not amount simply to cutting waste, fraud, and abuse within the Pentagon budget. There is still fat at DoD, to be sure, but it is so marbled into the military's muscle that it is very hard to extricate the former without also damaging the latter. As such, cuts should in my view be made only if additional parts of the federal budget that have to date been largely spared are also brought into the deficit reduction efforts, and only if net revenues are also increased.

My recommended additional defense reforms and reductions are made from the starting point that there are certain irreducible U.S. defense requirements that should not be compromised under any foreseeable circumstances:

- Responsibly ending the nation's current war, with sustained modest commitments to Afghanistan thereafter for a potentially extended period.
- Deterring an assertive Iran in the broader Persian Gulf and Middle East.
- Helping keep confidence and stability in East Asia in the face of major structural change—notably the rise of China
- Keeping a sufficiently robust NATO alliance to provide some basis for global action by a community of democracies and lower whatever remote risks remain of Russia's again becoming disruptive.
- Maintaining enough combat capability to wage one substantial and extended regional war while also carrying out up to two smaller operations at a time, perhaps in support of the ongoing struggle against transnational extremism in the turbulent broader Middle East region.

- Retaining a reliable, safe nuclear deterrent that is the equal of Russia's and superior to China's, even as the United States pursues lower force levels through arms control.
- Maintaining a strong all-volunteer military.
- Retaining and promoting the world's best scientific and defense industrial base.
- Maintaining some capacity to help stop genocide as part of a coalition, since America's values are part of what help it hold together a large network of nations in common strategic cause.

This list of foundations upon which future U.S. defense capabilities should be based leads me to several specific suggestions of where further economies can be considered without jeopardizing the core elements of future American power or international stability. They go beyond those already planned by the administration (changes that are summarized at the end of my testimony):

**Sea Swaps** by which the Navy rotates crews using airplanes (having more than one crew share a given ship), allowing for a somewhat smaller Navy to maintain current forward presence requirements in the Western Pacific and Persian Gulf. At present, the Navy assigns a single crew to a single ship for vessels except minesweepers and ballistic missile submarines. But this practice leads to major inefficiencies in terms of time wasted in transit across the oceans. Typically, 5 ships are needed in the fleet to keep 1 on station with this traditional practice.

Sea swaps, also known as crew swaps, can make a given ship at least 35 percent more efficient (in terms of time on station per vessel), and allow the Navy to cut perhaps 20 to 30 ships from its fleet without a reduction in forward presence in the Pacific or Persian Gulf. I would not apply this concept to large aircraft carriers (or CVNs), at least at first, given their size and complexity, but I would also cut the carrier fleet by one ship (and rely on large-deck amphibious ships rather than the much larger and more expensive CVNs for missions in places like the Mediterranean).

**Modestly Smaller Active-Duty Army and Marine Corps Forces.** The Army and Marine Corps are slated to remain larger under President Obama’s new plan than they were in the 1990s. That will be true even once the main phase of the Afghanistan war is over, and even with Iraq no longer a pressing overland threat to its neighbors as it was in the 1990s as well as earlier eras.

I believe the size of the active Army and Marine Corps can instead be slightly smaller than in that period, rather than slightly larger, with a net reduction of about 40,000 to 50,000 uniformed personnel in the active-duty force structure (and perhaps some modest growth in the National Guard).

**Smaller F35 Fighter Program.** A fundamental rethinking of the F35 fighter program is appropriate, in light of the dramatically increased effectiveness of drones and other new technologies and the large size and cost of this manned aircraft program.

Specifically, I would consider sizing the F35 program primarily to the possible China threat. Imagining a major deployment of F35s to the region around Taiwan, for example, on land bases and on ships, might result in a halving of the program’s size (with refurbishments of planes like F16s making up for the difference). In other words, it is hard to see how we could deploy more than 800 to 1,000 F35s to the vicinity of Taiwan even in such an extreme scenario—yet the F35 program currently envisions buying almost 2,500 planes.

**Dramatically Restructured LCS Program.** A rethinking of the troubled Littoral Combat Ship program is also sensible. This was supposed to be an inexpensive ship but has become in effect a small and rather costly frigate.

Rather than purchase some 55, I would consider buying only 15 to 20 (perhaps even purchasing the Coast Guard’s National Security Cutter instead of the current LCS designs). This smaller number of vessels could serve as “mother ships” within flotillas that included “swarms” of less expensive ships such as the Sea Hawk (which captures its

own wake, rides high in the water, goes up to 60 knots, and costs less than \$20 million) for purposes such as mine warfare and countering irregular maritime threats by countries such as Iran.

**A More Economical Nuclear Force.** It is important to keep strategic nuclear parity with Russia, in my judgment, as well as a reliable, safe, and dependable inventory of nuclear warheads in the post-nuclear-testing era. But these goals can be achieved more economically.

Adequate warheads can be deployed on 8 SSBN submarines rather than 14, and on 250 ICBMs rather than 450. The bomber fleet, useful for conventional missions and thus almost cost-free as a complement for ICBMs and SLBMs, can be tasked with a higher proportion of the nuclear mission.

Within the Department of Energy, Livermore laboratory can, in my eyes, be reoriented increasingly around civilian energy as its central mission, with only Los Alamos remaining principally a nuclear design and stewardship laboratory (in addition to associated work at places like Sandia and the Nevada Test Site). A conservatively designed nuclear warhead, not requiring testing, can someday be added to the portfolio of warheads in the decades ahead to ensure a reliable and safe deterrent even without any future nuclear tests.

**An End to Commissaries and Exchanges.** On the benefits and compensation side of things, an end to military commissaries and exchanges should be seriously considered. These provide benefits unequally and somewhat anachronistically to military service members and their families, and it makes more sense to eliminate them than to consider further cuts in other forms of military compensation.

In rough terms, savings from the above ideas would be as follows. The adoption of sea swaps as standard practice within the major surface combatant fleet combined with the reduction in the carrier fleet could save about \$4 billion to \$5 billion annually. The

further reductions of the ground forces would save about \$10 billion a year once phased in. Cutbacks in the F35 and LCS programs would yield net savings of \$5 billion a year and \$1 billion a year. Elimination of exchanges and commissaries could save \$1.5 billion annually. Certain other ideas not discussed here could save money too, such as a scaling back of the V-22 Osprey and missile defense programs, to the tune of another \$2 billion a year. Altogether, as discussed in greater depth in my book, further savings of up to \$25 billion a year (eventually) could be found responsibly—though again, I hasten to add that some of these dollar savings could be needed simply to comply with the first tranche of Budget Control Act budget reductions, as the current Obama defense program will likely cost a good deal more than those caps will permit.

The United States is hardly yet in serious and inevitable decline. Not only does it remain the most competitive large economy in the world according to the World Economic Forum, not only does it have a diversified and gradually growing “melting pot” population, not only does it retain the world’s best scientific and high-technology manufacturing base, not only does it possess far and away the best military in the history of the planet. But it also leads the largest system of alliances and security partnerships ever seen, with some 70 countries collectively representing  $\frac{3}{4}$  of global GDP and military spending formally or loosely aligned with it. It is a giant, even if a wounded giant, and its long-term future prospects are at least as good as China’s.

Yet America is at a crossroads. Trillion dollar a year deficits are not only bad for our economy, if not fixed they portend doom for our role as the world’s key leader—and with it the prospects for a generally stable international system, as there is no clear alternative to American leadership. But with comprehensive deficit reduction, in which defense plays a key though not disproportionate part, the nation’s long-term economic pillars of power can be repaired and the country’s security protected. Defense cuts are not without costs and dangers. But if undertaken at the right size and pace, and as part of comprehensive fiscal reform, they represent the best way to minimize overall risks to American security and enhance the country’s future prospects and possibilities.

## APPENDIX: SUMMARY OF OBAMA DEFENSE CHANGES, 2012

The Obama strategy and budget has a number of key features and provisions:

- Reducing the respective sizes of the active-duty Army and Marine Corps to 490,000 and 180,000 uniformed personnel, roughly—down about 12 to 15 percent from their recent highs but still greater than typical 1990s levels
- Modifying the “two-ground-war” planning framework to something more like a “one-war plus” capability. Any second simultaneous land conflict would be fought with less ambitious goals, a longer time horizon, and more use of the Guard/reserves
- Focusing much less on large-scale counterinsurgency missions for planning and training
- Deferring a number of procurement programs to save money in the near-term budget, as with the F35 joint strike fighter
- Making targeted cancellations of certain generally smaller military systems (advanced versions of the Global Hawk unmanned aircraft, a new weather satellite, the C-27 passenger aircraft) but leaving most large programs unscathed
- Eliminating some older ships and airlifters from the force but in modest numbers
- Scaling back Air Force combat aircraft units by roughly 10 percent
- Making modest changes in military compensation, especially for retirees (in regards to health care and pensions), but targeting military compensation for only 1/9 of overall spending cuts even though it constitutes 1/3 of the defense budget, all told
- Carrying out further rounds of base closures if possible
- Bringing two of four Army brigades home from Europe, and relocating several thousand Marines now on Okinawa to Guam and Australia (and perhaps also stateside locations)

Not all changes would consist of cutbacks. Specifically, the administration is:

- Underscoring that the Western Pacific and Persian Gulf/Middle East are the top two areas of military interest and priority for the United States
- Making no cuts in the aircraft carrier fleet, large-deck amphibious fleet, attack submarine fleet, long-range bombers, nuclear forces, or missile defenses (beyond those made in previous years), and adding more special forces
- Making no near-term reductions in planned military pay raises
- And making no cuts whatsoever in Veterans Administration budgets (which are separate from defense budgets, and expected to rise from \$124 billion in 2012 to \$169 billion in 2017) or in any other benefits for deployed or wounded personnel