



US MARINE CORPS



Strong and Sustainable

How to Reduce Military Spending While Keeping Our Nation Safe

Lawrence J. Korb and Laura Conley September 2010





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Introduction and summary

President Barack Obama has made it clear in his speeches and in his own national security strategy that this nation's ability to protect its interests around the world depends upon a healthy economy at home. The president noted in a speech to the graduating class at West Point earlier this year that “our strength and influence abroad begins with the steps we take at home ... Simply put, American innovation must be a foundation of American power—because at no time in human history has a nation of diminished economic vitality maintained its military and political primacy.”

He then went on to note the need to achieve sustainable security through more effective integration of the instruments of national power:

As we build these economic sources of our strength, the second thing we must do is build and integrate the capabilities that can advance our interests, and the common interests of human beings around the world. We will need the renewed engagement of our diplomats, from grand capitals to dangerous outposts. We need development experts who can support Afghan agriculture and help Africans build the capacity to feed themselves.¹

Members of the president's national security team agree. Admiral Michael Mullen, chairman of the Joint Chiefs of Staff, has expressed concern about the impact of the deficit, noting last spring that “our financial health is directly related to our national security.”² More recently, in late August, he argued that the national debt is the single biggest threat to U.S. national security.³

Secretary of Defense Robert Gates, in a speech at the Eisenhower Library earlier this year, pointed out that our ability to project influence abroad depends on domestic prosperity and innovation. He noted that President Dwight D. Eisenhower firmly believed that the United States “could only be as militarily strong as it was economically dynamic and fiscally sound.”

Moreover, Gates has consistently called for spending more money on the State Department and foreign aid since taking office in 2006.⁴ But in the fiscal year 2011 federal budget, the Obama administration is spending 12 times as much on the Department of Defense as on foreign assistance and the operations of the Department of State.⁵

Restoring America's economic health will require seriously dealing with our massive federal budget deficit over the long term. Among other things, reducing that deficit will require substantially reducing the projected level of defense spending over the next five years and using the majority of those savings to bring down the deficit while transferring some to the other instruments of national power. Ironically, taking these steps in a smart way will actually enhance our national security.

Obama, in cutting defense spending, will be following in the footsteps of such Republican presidents as Eisenhower, Reagan, and George H.W. Bush, who significantly reduced military spending to deal with federal deficits that exploded during their presidencies.

President Eisenhower explained over 50 years ago that a nation's security was directly tied to the health of its economy. He believed, correctly, that if military spending rose too high it would ultimately undermine U.S. security, which he saw as a product of both military and economic strength. He also consistently resisted calls from the Joint Chiefs and some members of Congress to outspend the USSR.

"Spiritual force, multiplied by economic force, multiplied by military force is roughly equal to security," he explained. For Eisenhower this was the "Great Equation." "If one of these factors falls to zero ... the resulting product does likewise."⁶ Consequently, defense spending declined in real terms during his time in office.

President Eisenhower warned of the burdens imposed by an overwhelming and permanent military establishment in his farewell address to the nation in January 1961. He rightly anticipated that the military-industrial complex's influence over politics would be difficult to break, and he hoped that an engaged and knowledgeable citizenry would serve as the necessary corrective.

Richard Nixon, who served as Eisenhower's vice president for eight years, applied these lessons well when he became president in 1969. President Nixon reduced defense spending by 27 percent and military manpower by a similar amount

between 1969 and 1974 in order to pay for the social programs he felt the country needed.⁷ Despite these reductions, our defense capability improved dramatically during this period as Nixon and his national security team reoriented U.S. forces and weapons programs to the primary threat—the Soviet communist expansion. Many of the programs the Nixon administration initiated during this period of declining defense budgets—for example, the Trident submarine, and the F-15, F-14, F-16, and F/A-18—are still in the force today.

Even Ronald Reagan recognized the nation's defense spending was a heavy weight on the economy. When his supply-side economics didn't work as planned in his first term, he reduced defense spending by 12 percent in real terms in his second term as part of an arrangement with Congress to help rein in the growing budget deficits. George H.W. Bush continued this trend in his first two years by slashing defense spending by another 11 percent, even before the Soviet Union's collapse, to deal with expanding federal deficits.⁸

Overall, Reagan and George H.W. Bush lowered defense spending by 23 percent without any harm to our national security or significant change in our national security strategy.

The Obama administration projects that for 2015 the total defense budget will be \$670.6 billion, which is about \$40 billion less than the 2011 level.⁹ But \$100 billion of this reduction is based on the assumption that the costs of the Iraq and Afghanistan wars will drop precipitously. Unlike most other federal agencies, the base or the regular defense budget is projected to grow by about 5 percent in real terms over that period.¹⁰

The defense budget can and should be substantially reduced without harming national security for three reasons:

First, we can afford to make cuts. Total defense spending in real terms is now higher than at any time since the end of World War II, more than throughout the entire Cold War, and even 10 percent higher than the peak of the Reagan defense buildup. The baseline defense budget has been growing in real terms for 13 straight years—the longest-ever period of sustained real growth in U.S. defense spending.

As a result, the portion of the world's military expenditures the United States consumes compared to our potential adversaries has grown from 60 percent to 250 percent. This means that even if the United States were to cut its spending in

half it would still be spending more than its current and potential adversaries.¹¹ We are far beyond the point of diminishing returns in U.S. defense spending relative to our actual defense requirements.

Second, the global security environment has changed, which allows us to change our spending priorities. The need for permanently deployed U.S. forces in Europe to act as a direct deterrent has steadily declined in the two decades since the end of the Cold War. Similar though not as stark shifts are occurring in Asia. And as the wars in Iraq and Afghanistan wind down, the justification for the large increase in the size of the ground force that occurred over the past decade will disappear.

These shifts mean we can reduce the overall size and deployment posture of our armed forces, leading to significant savings without reducing critical national security capabilities.

And third, significant technological advances make our fighting forces far more efficient than even in the near past. The extension of precision-guided munitions and the introduction of night-fighting and all-weather capabilities to the entire air combat force have resulted in a more flexible, effective force. As the Sustainable Defense Task Force noted earlier this year, “America’s combat air fleets today possess many times the battlefield air interdiction capability of their 1991 [Gulf War] counterparts. By comparison, traditional conventional adversaries have not nearly kept pace.”¹²

These rapidly increasing capabilities result in fewer air combat missions flown by fewer planes. A total force of around 400 fewer planes flew on average only half as many missions during Operation Iraqi Freedom in 2003 than in the 1991 Operation Desert Storm.¹³ The potential for savings in this one example extends throughout the U.S. combat forces, from Air Force fighter wings to naval carrier battle groups.

Our suggestions for reducing the defense budget below projected levels are rooted in the efficiencies that can be achieved due to the changing strategic environment and improved U.S. capabilities. Moreover, they are based on ideas that the president, his secretary of defense, and other members of the defense establishment have already laid out. They will still leave the defense budget higher in real terms than at any time in the 1970s and 1990s, and, importantly, they will not undermine critical national security objectives and competencies.

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Even if the administration reduces defense spending by about \$100 billion, or 16 percent, as we propose, the regular defense budget would still be higher in real terms than it was in FY 2002—the first Bush administration budget and the last pre-9/11 budget. In today's dollars the Bush FY 2002 defense budget—which was 11 percent higher than the budget he inherited from the Clinton administration—amounted to \$420 billion. Our reduction would bring the FY 2015 budget down to about \$560 billion. Our proposed reduction of approximately 16 percent, if fully implemented, would be less than the 23 percent reduction Ronald Reagan and George H.W. Bush achieved from 1985 to 1990.

Obviously, reducing projected levels of defense spending must be done in a smart way to avoid jeopardizing national security. Presidents Nixon, Reagan, and George H.W. Bush have all shown this can work. Nixon, for example, reduced the active-duty Army's size after he ended the war in Vietnam because he decided that the United States would not repeat the mistake of becoming involved in a ground war in an area that did not directly affect U.S. security.

Nixon also cut back production of high-end, expensive fighters like the F-14 and F-15, replacing them with somewhat less sophisticated but still very effective and less expensive F-18s and F-16s. And he reduced the number of submarines in our strategic arsenal by increasing the number of ballistic missiles on individual Trident submarines from the 16 the Navy wanted to 24 on each boat.

Similarly, Reagan abandoned the goal of a 600-ship Navy. He recognized that even with only 500 ships the U.S. Navy was still without peer. George H.W. Bush and his Secretary of Defense Dick Cheney ended production of the F-14 and F-15, stopped production of the B-2 bomber at 20 rather than 132, and cancelled the A-12, the Navy's equivalent of the Air Force's \$350 million F-22.

If Obama were to make significant reductions in projected levels of defense spending he would be the first Democratic president in the post-World War II period to do so. As mentioned above, Eisenhower reduced the projected budgets he inherited from Truman, and George H.W. Bush reduced the budget plans he inherited from Reagan. On the other hand, President Jimmy Carter ended the post-Vietnam downturn in defense spending and President Bill Clinton actually spent more on defense than the outgoing administration of George H.W. Bush had projected. And it was Clinton who ended the post-Cold War reduction in defense spending.

This paper identifies roughly \$109 billion that could be saved in the FY 2015 defense budget without compromising vital U.S. national security interests. No country can buy perfect security, and there is always an element of risk no matter how much is spent on the Pentagon. But the configuration outlined in the pages that follow offers a series of options that provide needed savings at minimal risk.

Our colleagues at the Center for American Progress have written about the need to achieve primary balance—a budget in which total government revenues are equal to total government spending with the exception of interest on the debt. Their recent work examined scenarios in which primary balance could be achieved in FY 2015 through a mix of spending cuts and tax increases. The options presented in this paper complement their work by providing defense spending reductions to help meet overall spending-cut goals in each of the four scenarios they examined:

- 33 percent overall spending cuts = \$85 billion in spending reductions
- 50 percent overall spending cuts = \$130 billion in spending reductions
- 66 percent overall spending cuts = \$170 billion in spending reductions
- 100 percent overall spending cuts = \$255 billion in spending reductions

(For more information on these scenarios, see CAP’s report, “A Thousand Cuts.”)

The chart on the next page outlines the specific defense program cuts and associated savings we propose. The following pages examine each of these in more depth.

Recommended defense program cuts and estimated savings in fiscal year 2015

	33 percent spending cuts	50 percent spending cuts	67 percent spending cuts	100 percent spending cuts	100 percent spending cuts (no TE)*
Defense	51.0	59.5	71.0	96.1	109.1
Redirect the majority of overhead efficiency savings to reduce the baseline defense budget	25.0	25.0	25.0	25.0	25.0
Permanently reduce the number of non-Iraq/Afghanistan overseas personnel	12.0	12.0	12.0	12.0	12.0
Reduce nuclear forces to 311 operationally deployed strategic weapons	5.5	5.5	5.5	11.4	11.4
Cancel the V-22 Osprey	1.9	1.9	1.9	1.9	1.9
Limit procurement of the DDG-51 Destroyer	1.9	1.9	1.9	1.9	1.9
Cancel CVN-80 funding	1.5	1.5	1.5	1.5	1.5
Reduce procurement of the Littoral Combat Ship	1.3	1.3	1.3	1.3	1.3
Cancel select missile defense programs	1.3	1.3	1.3	1.3	1.3
Cancel the Marine Corps' Expeditionary Fighting Vehicle	0.6	0.6	0.6	0.6	0.6
Reform the military pay system in accordance with the Quadrennial Review of Military Compensation		5.5	5.5	5.5	5.5
Adopt the recommendations of the Task Force on the Future of Military Health Care		3.0	3.0	6.0	6.0
Roll back growth in the Army and Marine Corps			6.0	12.1	12.1
Reduce civilian DOD personnel in line with a decrease in military end strength			5.5	8.0	8.0
Reduce Joint Strike Fighter procurement by 50 percent				4.8	4.8
Limit procurement of the Virginia-Class Submarine				2.8	2.8
Adopt across-the-board reduction in research, development, test, and evaluation funding					10.0
Retire two carrier battle groups and associated air wings					3.0

* "A Thousand Cuts" offers two separate scenarios for reaching \$255 billion in spending cuts: one in which tax expenditures—mandatory spending administered through the tax code—are treated as spending, and one in which they are not. Most economists and budget analysts agree that tax expenditures are functionally, conceptually, and economically equivalent to spending.

Columns may not sum to totals due to rounding.

CAP's recommendations for cuts in defense spending

The pages that follow offer 17 recommendations to trim the FY 2015 defense budget. These proposals include reductions in spending on unproven, overbudget, or strategically unnecessary acquisition programs, including the V-22 Osprey and the Marine Corps' Expeditionary Fighting Vehicle. We also propose savings in spending on military personnel, including rolling back the post-September 11 growth in the size of the ground forces and reducing the size of the Defense Department's civilian workforce.

Allowing defense spending to continue to grow unchecked will ultimately undermine the strong economy we need to support our national security interests. The recommendations that follow thus make difficult but necessary choices about where we can reduce defense spending without undermining our critical national security needs. In total, we propose just over \$109 billion in savings in the FY 2015 defense budget.

Redirect the majority of DOD's planned efficiency savings to reduce the baseline defense budget (\$25 billion)

Secretary Gates recently announced a multibillion-dollar savings and efficiencies initiative to trim unnecessary overhead and increase efficiency in the Department of Defense. Under his proposed plan, the armed services and the various defense agencies must identify savings of at least \$2 billion in each of the three military departments (Army, Navy, and Air Force), and \$1 billion from the defense agencies in FY 2012. These goals are slated to increase yearly until FY 2016, when each military department must identify \$10 billion in savings and the agencies must demonstrate combined savings of \$7 billion.

Under the Gates plan, the services will be able to redirect these savings to what he deems higher-priority programs. But in this time of mammoth federal deficits,

overall national security would be enhanced if such savings were directed to reducing the projected real growth in the already unprecedentedly high baseline defense budget.

DOD's military departments and agencies will be collectively required to identify \$28 billion in savings in FY 2015.¹⁴ If the bulk of the savings from this initiative is used to reduce the defense budget rather than reprogrammed to other projects within DOD, the Department of Defense could save approximately \$25 billion in FY 2015.

Permanently reduce the number of U.S. military personnel stationed in Europe and Asia (\$12 billion)

The Sustainable Defense Task Force established earlier this year by Rep. Barney Frank (D-MA) suggested that we could save \$80 billion over 10 years by limiting U.S. military positions in Europe and Asia to 100,000. This option entails permanently eliminating 50,000 current military positions: 33,000 from Europe and 17,000 from Asia. As the troops are withdrawn, the overall force structure can be reduced accordingly.

The Task Force noted that this move would still leave a substantial number of U.S. service members based on those continents. Moreover, this is a sensible reduction because "U.S. capacities for long-range strike and for effective rapid deployment of forces has grown greater," meaning that "the crisis response requirement for troops 'on the spot'" can be reduced without undermining our national interests.¹⁵ Finally, most European countries are slashing their defense budgets drastically to cope with their budget deficits. It is clear that they no longer view large military forces on the continent as necessary for their security.

The Task Force calculated that gradually reducing these forces could initially save about \$6.5 billion per year, including reductions in associated expenses such as military housing, acquisition, and operations and maintenance costs associated with current troop levels. That number would grow to \$12 billion per year once the number of U.S. active-duty troops in Iraq and Afghanistan drops below 100,000.¹⁶ This can efficiently be accomplished by FY 2015 with the impending withdrawal of U.S. forces from Iraq and the projected drawdown in Afghanistan.

Cut the U.S. nuclear arsenal to 311 operationally deployed strategic nuclear weapons (\$11.39 billion)

Total spending on U.S. nuclear projects is difficult to estimate with any degree of certainty because of the classified nature of some parts of the program. Two analysts at the Carnegie Endowment for International Peace pieced together the best publicly available estimate of nuclear spending based on the FY 2008 defense budget. The report estimated that in that year, approximately \$22.5 billion was spent on nuclear forces and operational support by the Defense Department alone. Additional funding is allocated to other nuclear priorities in DOD such as threat reduction and environmental costs, as well to the Department of Energy, the Department of Homeland Security, and several other agencies for operational support and other needs.¹⁷

If we conservatively assume that funding did not grow beyond inflation since 2008, this amounts to about \$22.78 billion in 2010 dollars to maintain the approximately 5,100 total warheads in the stockpile, including 1,968 operationally deployed strategic nuclear weapons and their delivery systems (submarines, bombers, and land-based missiles), as well as the estimated 500 operationally deployed U.S. tactical nuclear weapons.

Substantial savings are available in this portion of the budget even if spending on nuclear weapons does not rise through 2015. According to analysts at the Air War College, the U.S. nuclear arsenal can provide real deterrence with 311 strategic nuclear weapons.¹⁸ A reduction to this level of operationally deployed strategic weapons would be an approximately 84 percent reduction below current levels.

Some associated cuts likely also will be needed in DOD funding aimed at sustaining the United States' stockpiled warheads. But even a 50 percent reduction in DOD's nuclear forces and operational support budget should maintain a sufficient level of funding for an arsenal of 311 operationally deployed strategic weapons and their delivery systems. Phasing in these cuts over the next four years would thus result in at least \$11.39 billion in savings in FY15. These reductions could be scaled back to accommodate different levels of spending cuts in the overall federal budget, but attempting to achieve primary balance through spending cuts alone would require the full amount.

Cancel the V-22 Osprey program (\$1.93 billion)

The V-22 Osprey, a tilt-rotor aircraft procured primarily for the U.S. Marine Corps, has been beset by technical problems since its inception. Then-Secretary of Defense Dick Cheney attempted to cancel the program in 1991 because of technical and cost concerns, calling it “a turkey.”

A May 2009 Government Accountability Office report noted continuing problems: “In Iraq, the V-22’s mission capability (MC) and full mission capability (FMC) rates fell significantly below required levels and significantly below rates achieved by legacy helicopters.”¹⁹

The Task Force on a Unified National Security Budget noted in its FY 2009 budget report that the Pentagon now intends to buy 458 V-22s at \$110 million per copy, which is about 300 percent more than the aircraft was initially projected to cost. According to the Task Force, even if costs are kept under control, “the Osprey would be only marginally more capable than existing helicopters in terms of speed, range and payload, yet cost at least five times as much.”²⁰

The Navy’s FY 2011 budget request projects a buy of 24 V-22 Ospreys in FY 2015. The Department of Defense should cancel the program for a total savings in FY15—including advance procurement and initial spares—of about \$1.93 billion.²¹

Lower procurement of the DDG-51 destroyer to one per year in FY 2015 (\$1.9 billion)

In the FY 2010 defense budget, Congress opted to reopen the production line for the DDG-51 Arleigh Burke-class destroyer rather than continue to purchase the newer but much more expensive DDG-1000 Zumwalt-class destroyers. The DDG-51 is a multimission vessel intended to be capable of anti-air, anti-submarine, and anti-surface operations. The Navy has supported this move as a way to maximize the number of destroyers it can procure within a constrained fiscal environment.²²

Currently the Navy is slated to procure two DDG-51s in FY 2015. This is not an inherently unreasonable number, but even Secretary of Defense Gates has called for the Navy to re-examine its procurement plans in light of the country’s fiscal situation and the naval threats the United States is likely to confront. At a speech to the Navy League earlier this year, Gates remarked that “at the end of the day, we

have to ask whether the nation can really afford a Navy that relies on \$3 billion to \$6 billion destroyers, \$7 billion submarines, and \$11 billion carriers.”²³

The Navy can keep the DDG-51 production line operating while minimizing annual outlays if it procures one rather than two of the vessels in FY 2015. This decision would enable Congress and the administration to extend the production line to procure the remaining vessel in a later year, and it would save approximately \$1.9 billion.²⁴

Cancel procurement of the CVN-80 aircraft carrier (\$1.52 billion)

The Navy is currently planning to procure three new Gerald Ford-class nuclear-powered aircraft carriers: CVN-78, 79, and 80. The Navy’s FY 2011 budget request contains procurement funding for CVN-78 as well as advance funding for CVN-79, which has been funded every year since FY 2007.

Secretary Gates recently questioned why the Navy needs to maintain 11 large, nuclear-powered carriers when according to the secretary, “in terms of size and striking power, no other country has even one comparable ship.”²⁵

The administration can realize savings by canceling the CVN-80 outright and reducing the number of carriers. The Congressional Research Service notes that the CVN-80 is slated to begin receiving advance procurement funding—funding for segments of the program debited before the year in which the vessel is scheduled to be procured—in FY 2014, with approximately \$1.52 billion in advance funding projected for FY 2015.²⁶

Limit procurement of the littoral combat ship to two vessels in FY 2015 (\$1.3 billion)

The Navy’s Littoral Combat Ship, or LCS, program is designed to produce relatively small, inexpensive, and versatile vessels that can be modified with “mission packages” to perform a variety of tasks in near-shore waters.²⁷ The Navy eventually intends to purchase 55 of the ships, including two ships in FY 2011. It would then ramp up to four ships per year from FY 2013 to FY 2015, and three ships per year from FY 2016 to FY 2019.

Like most of DOD's major acquisition programs, the LCS program's cost continues to rise beyond projected levels. A provision in the FY 2006 Defense Authorization Act fixed the cost of the fifth and sixth ships at "no more than \$220 million each, plus adjustments for inflation and other factors," according to the Congressional Research Service. Congress has since raised the cap several times and extended it to all future littoral combat ships. The FY 2010 Defense Authorization Act raised the cap to \$480 million per ship, and some costs were exempted from the total. But unit cost continues to rise.²⁸

The LCS program offers capabilities that could prove useful for unconventional operations such as antipiracy missions in near-shore waters. DOD, therefore, should continue to purchase the LCS, but this large and overbudget program can and should be slowed down. This will produce savings in the near term, and it will allow the Navy to work on keeping the program at a reasonable cost.

DOD should hold production of the LCS to two ships per year through at least FY 2015, which would keep the production line operating and save about \$1.3 billion of the Navy's \$2.84 billion FY 2015 request.²⁹

Cancel select missile defense programs (\$1.31 billion)

Secretary of Defense Robert Gates announced important cuts in the defense budget in April 2009 for the Missile Defense Agency as well as in costly and unproven missile defense programs administered by the armed services. Consequently, total spending on missile defense for the FY 2010 budget request decreased by \$1.6 billion from \$10.9 billion in FY 2009 to \$9.3 billion in FY 2010. But for FY 2011 the administration requested approximately \$8.4 billion for the Missile Defense Agency alone, and approximately \$9.9 billion overall for missile defense programs.³⁰

The administration's FY 2010 request scaled back programs suffering from persistent technical problems, such as Ground-Based Midcourse Defense³¹ and the Kinetic Energy Interceptor.³² This is a commendable step, and DOD should continue to trim unproven and unnecessary missile defense programs in the FY 2015 budget. Analyses by the CBO and the Sustainable Defense Task Force have suggested scaling back or eliminating a variety of missile defense programs, including "Far-Term Sea-Based Terminal Defense, Sensor Development, the Missile Defense Space Experimentation Center, and "Special Programs" as well as the Space-Based Infrared Systems.³³

The United States could gradually eliminate the Missile Defense Agency's classified Special Programs (\$601 million in FY 2015) and the Space Experimentation Center (\$12 million in FY15), two of the items considered for elimination by the CBO.³⁴ Some savings could also be realized by canceling RDT&E funding for MDA's directed energy research (\$104 million in FY 2015), which includes funding to continue research along the lines of the Airborne Laser program, or ABL. In 2009 Gates recommended curtailing the ABL effort because "the program and operating concept were fatally flawed."³⁵

Finally, MDA could reduce funding for Ground-Based Midcourse Defense, which would save \$600 million in FY15. Midcourse systems target ballistic missiles in space, where decoy targets can be particularly effective. According to the CBO, "some defense experts believe that without improvements in technology, and absent more extensive testing of its components individually and as a whole, the GMD system is not yet ready to field."³⁶

These options would yield a total savings of about \$1.31 billion in 2015.³⁷

Terminate the Marine Corps' Expeditionary Fighting Vehicle (\$610 million)

The Marine Corps' Expeditionary Fighting Vehicle, or EFV, is an armored amphibious vehicle designed to launch from a ship within 25 miles of the shore. The EFV's design calls for it to be capable of transporting marines up to 345 miles on land in order to execute their mission.

The EFV was designed to provide significantly improved capabilities over older models. But the program has run into design failures, setbacks, and questions about whether its design is suitable for current conflicts. During a 2006 operational assessment, for example, the EFV broke down every 4.5 hours on average and only completed "2 out of 11 attempted amphibious tests, 1 out of 10 gunnery tests, and none of the 3 scheduled land mobility tests."³⁸ Based on these failures, the Corps began working with contractors to redesign the vehicle, and new prototypes are just being delivered.

Even this redesign, though, does not provide enough additional capabilities to justify funding the program. The EFV's 25-mile amphibious range is a significant upgrade from older models, but antiship missile technology has evolved to

the point where even that “over-the-horizon” capability cannot keep the ships launching the EFV safe from attack. Moreover, once on land, the EFV’s smooth, low underbelly would be exceptionally vulnerable to attacks by improvised explosive devices. Since the Marines have not conducted a forcible entry or contested amphibious landing since Inchon during the Korean War in 1950, the justification for this program is not clear.

The Navy currently projects buying 573 EFVs over the life of the program. Canceling the program now and refurbishing and updating the Corps’ current armored amphibious vehicles can save an estimated \$9 billion to \$10 billion over the next decade and approximately \$610 million in FY 2015.³⁹

Reform the military pay system as the Quadrennial Review of Military Compensation recommends (\$5.5 billion)

The 10th QRMC was completed in 2008 during the Bush administration. Among other recommendations, it suggested that DOD and lawmakers revisit the system used to calculate the military’s annual pay raises. All members of the military deserve generous and fair compensation for their service and sacrifice, but the military-civilian pay gap has long been closed. And current methods for awarding military pay raises fail to take account of the real level of military compensation.

The QRMC pointed out that military pay already equals or exceeds the average salaries of civilian workers with comparable educational backgrounds. It revealed, for example, that “the average enlisted member earned approximately \$5,400 more in 2006 than his or her civilian counterpart when comparing cash [base pay] compensation, but \$10,600 more when selected benefits are included in the comparison.”⁴⁰ In the past four years this gap has grown even wider.

Based on this information, the QRMC recommended that Congress and the administration consider using Military Annual Compensation, or MAC, rather than the currently used, less inclusive Regular Military Compensation, or RMC, measure to determine annual pay raises. MAC accounts for RMC plus the military’s generous health care, retirement, and tax advantages.

The Sustainable Defense Task Force found that the military could save \$55 billion over 10 years by implementing the QRMC’s proposal for compensation reform. This means that DOD could likely save \$5.5 billion in FY 2015 if it can complete this transition over the next four fiscal years.⁴¹

Adopt the Task Force on the Future of Military Health Care's recommendations (\$6 billion)

The cost of military health care—especially DOD's budget for the 9 million retirees and their dependents—is swiftly reaching unsustainable levels. DOD's health care costs will equal \$50 billion in FY 2011, and they are likely to rise to about \$100 billion within this decade if no action is taken to control costs.

Making matters worse, Congress and the administration show no willingness to make the difficult choices needed to contain spending in this area. Military retirees under age 65 enrolled in TRICARE Prime currently pay only \$230 per year for individual coverage and \$460 per year for family coverage. These are the same rates Congress established when the program was created in 1995 even though DOD has repeatedly recommended that the rates increase with inflation.⁴²

There's no question that military health care should be affordable for our retired service members and their families. These premiums, however, are wildly out of step with the astronomical growth in health care costs in the United States since 1995. An individual's average annual premium contribution in the United States in 2009 was \$779. And a family's average yearly contribution was \$3,515, according to an annual survey by the Kaiser Family Foundation and the Health Research and Educational Trust that covers "nonfederal private and public employers with three or more workers."⁴³

DOD's own Task Force on the Future of Military Health Care recommended in 2007 that annual premiums for retired service members using TRICARE Prime Family should grow gradually from \$460 per year to about \$1,100 per year in a tiered system based on retirement pay. The group noted that this recommendation was based on "a conservative metric," and "the Task Force ... could have chosen a plausible metric that would have led to a significantly higher proposed enrollment fee."⁴⁴ The Task Force also recommended raising the plan's copays and adjusting the cap on total out-of-pocket costs.

The group further recommended that TRICARE Prime Single enrollment costs should remain proportionately one-half of Prime Family for military retirees with an income-tiered approach and the same copay and catastrophic cap requirements as the family plan.⁴⁵ The Task Force recommended changes to TRICARE Standard fees, too, including a small annual enrollment fee and increasing annual deductibles as well as changes to TRICARE for Life, the military's health care

program for Medicare-eligible retirees. Specifically, the Task Force recommended a \$120-per-person yearly enrollment fee for TRICARE for Life, which the group noted “is consistent with the Task Force philosophy that health coverage for military retirees should be very generous, but not free.”⁴⁶

The Congressional Budget Office notes that the military could realize substantial savings by implementing the Task Force’s recommendations. Putting these steps in place, for example, could save DOD \$5.97 billion in FY 2013 alone.⁴⁷

The CBO did not publish year-by-year projections beyond FY 2013. But even assuming that savings do not rise significantly beyond that year, DOD could conservatively expect at least \$6 billion in savings in FY 2015. These measures could be scaled back in scenarios requiring fewer spending cuts to reach primary balance, but the full \$6 billion would be necessary if primary balance is to be achieved through spending cuts alone.

Roll back post-September 11 efforts to grow the ground forces (\$12.1 billion)

In 2007 Secretary Gates announced a permanent increase in the end strength—or size of the force—of 65,000 active-duty soldiers and 27,000 Marines.⁴⁸ This increase also included a 9,200-person bump in Army reservists.⁴⁹ The ground forces can and should gradually return to their pre-September 11 sizes as U.S. forces continue to draw down in Iraq and the president’s proposed reductions in Afghanistan start to take effect beginning in July 2011.

This can be done without undue risk. As Secretary Gates pointed out in the May/June 2010 issue of *Foreign Affairs*, “the United States is unlikely to repeat a mission on the scale of those in Iraq and Afghanistan anytime soon—that is, forced regime change followed by national building under fire.”⁵⁰ Obama, therefore, should follow in the footsteps of President Nixon, who reduced the size of the active-duty military from 3.4 million to 2.3 million when we withdrew from Vietnam.

Defense News published statistics earlier this year showing that the cost of maintaining an active-duty service member ranges from \$100,000 to \$120,000 per year.⁵¹ The CBO estimated in 2008 that about \$88.7 billion could be saved over 10 years by rolling back active-duty and reserve growth in the Army alone, which

amounts to an average of about \$119,800 per troop per year.⁵² Assuming that this cost grows only slightly by FY 2015, rolling back 74,200 Army and 27,000 Marine positions should save about \$12.1 billion in the FY 2015 budget.

This number could be scaled back in scenarios in which primary balance could be achieved without complete reliance on spending cuts.

Reduce the number of civilian DOD personnel concomitant with the reduction in military end strength (\$8 billion)

Reducing the overseas U.S. troop presence plus rolling back the recent end-strength growth in the active-duty Army and Marines would result in reductions of approximately 142,000 positions, or around 10 percent of the active-duty force.

DOD can and should pursue additional savings by making proportional reductions in its civilian workforce. The CATO Institute has noted that the current 789,000-person civilian DOD workforce is projected to cost roughly \$77.07 billion in FY 2011 alone.⁵³ A 10 percent reduction in positions and spending spaced out over the course of the next four fiscal years as well as cost-of-living increases for the civilian workforce could save the Department of Defense around \$8 billion in FY 2015. This number could be reduced depending on the balance between spending cuts and tax revenues, as with military personnel.

Reduce procurement of all F-35 Joint Strike Fighter variants (\$4.78 billion)

Secretary of Defense Robert Gates moved to restructure the F-35 Joint Strike Fighter program in February 2010, noting that “a number of key goals and benchmarks were not met.” Gates fired the program manager, withheld award fees from contractor Lockheed Martin, increased flight testing time, and pushed back the procurement schedule for the fighter.⁵⁴ Given the size of the troubled JSF program—DOD ultimately plans to buy 2,400 jets over 25 years—this cautious approach could save money in the short term and ensure that the program is able to fully mature.

One way to bring defense spending under control without jeopardizing military preparedness would be for DOD to reduce its planned procurement of JSFs through FY 2015. This step will save money and ensure that the program’s problems are

worked out before the aircraft goes into full production. In other words, DOD should return to the “fly before you buy” policy instituted by Secretary of Defense Melvin Laird in the Nixon administration.

Two factors permit a slowdown in JSF procurement without harming U.S. national security. First, the Sustainable Defense Task Force noted earlier this year that U.S. aircraft have become more capable with the “generalization of night-fighting and all-weather capabilities as well as substantial improvements in target acquisition and data fusion and sharing.” This means, as noted earlier in the report, that the U.S. military can now achieve its objectives with fewer combat sorties.⁵⁵ And second, as U.S. forces withdraw from Iraq and begin to withdraw from Afghanistan next year, operational demands on the nation’s fighter force should decrease.

The Air Force projects a buy of 70 Joint Strike Fighters in FY 2015 in its FY 2011 budget request along with advance procurement costs and initial spares for a total procurement cost in that year of approximately \$7.4 billion. Reducing the Air Force’s buy by one-half—including in-year procurement costs and initial spares—in 2015 could save about \$3.3 billion.⁵⁶

The Navy should also reduce its planned buy by half. In its FY 2011 budget request, the Navy stated that it will purchase 19 Joint Strike Fighters in FY15 along with advance procurement costs and initial spares for a total procurement cost in that year of approximately \$2.96 billion. Reducing the Navy’s buy by approximately one half (10 planes) in that year could save another \$1.48 billion.⁵⁷

These options could entail some additional costs to keep legacy aircraft like the F-16 and F/A-18 E/F operating longer. But this generation of U.S. fighters is still the best in the world. In fact, the Navy would prefer to keep buying the F/A-18E/F.

Limit procurement of the Virginia-class submarine to one per year at least through 2016 (\$2.78 billion)

The Virginia-class nuclear-powered submarine, the SSN-74, was designed as a more affordable alternative to the very costly Cold War-era Seawolf-class (SSN-21) attack submarine. The SSN-74 is intended to replace the aging Los Angeles-class (SSN-688) submarine as the backbone of the Navy’s undersea force.

DOD should return to the “fly before you buy” policy instituted by Secretary of Defense Melvin Laird.

Yet despite the Navy's efforts to reduce costs, the Virginia-class submarine is now nearly 40 percent more costly per unit than was projected when the program began development in 1995. And the Navy has not reduced the quantity of subs it intends to procure by even a single vessel.⁵⁸

Current production plans call for increasing the buy of Virginia-class submarines from one per year in FY 2010 to two subs per year from FY 2011 to FY 2015. Keeping Virginia-class vessel production steady at one per year through 2015 or 2016—rather than ramping up to two submarines per year as currently planned—is a sensible step toward keeping defense spending under control that would also keep the Virginia-class production lines in business and not jeopardize national security if we re-core some of the Los Angeles-class vessels.

The Navy projects the average end-unit cost of one Virginia-class submarine will be \$2.78 billion in 2015. While some of this funding already may have been authorized through advance procurement in earlier years, this approximate amount should be available in the FY 2015 budget if some savings are realized from advance procurement funding for future vessels as well.⁵⁹

Institute an across-the-board reduction in research, development, test, and evaluation funding (\$10 billion)

The United States currently spends more on RDT&E than President Ronald Reagan's peak spending in the same category, which was approximately \$60.3 billion in FY 1987 measured in FY 2010 constant dollars of budget authority. The Obama administration projects RDT&E spending at about \$64.6 billion for FY 2015.⁶⁰

A 10 percent across-the-board cut in RDT&E would bring spending levels slightly below Reagan's peak Cold War spending. But DOD could cut even more since the United States' major combat operations will be finished in Iraq next year and combat operations are projected to begin winding down in Afghanistan starting in July 2011.

For instance, a \$10 billion reduction in RDT&E spending distributed across the full range of DOD programs would amount to about 15.4 percent of the total RDT&E budget and about 1.5 percent of the overall projected 2015 defense budget.

Retire and do not replace two existing carrier battle groups and associated air wings (\$3 billion)

The Government Accountability Office issued a report in 1993 suggesting that “the annualized cost to acquire, operate, and support a single Navy carrier battle group is now about \$1.5 billion [in fiscal year 1990 constant dollars] and will continue to increase.” DOD disputed the GAO’s methodology, arguing that this estimate also includes annualized acquisition costs that could not be realized as savings in the short term. As a result, only about \$900 million (FY 1990 constant dollars) of the \$1.5 billion covered operating and support costs for the group, “while annualized acquisition costs accounted for the other 40 percent (about \$600 million).”⁶¹

Operations and support costs should total about \$1.5 billion per carrier group per year in FY 2010 dollars if we conservatively assume that the cost to support a carrier battle group has grown only as much as inflation since GAO issued its report in 1993. DOD could thus save at least \$3 billion a year by retiring and not replacing two carrier battle groups, which is a policy Secretary Gates endorsed in his speech to the Navy League earlier this year.

This is also consistent with the proposal put forward by the Sustainable Defense Task Force, which recommended reducing the number of U.S. aircraft carriers from 11 to 9, and changing deployment patterns by shifting emphasis from presence requirements to surge requirements to meet wartime situations—a process which would reduce demand for the number of deployed carrier battle groups.

Conclusion

The question of “how much defense spending is enough” has been intensely debated since the end of World War II. Obviously, if the funds are spent wisely, a higher level of defense spending should decrease the overall risk to national security. But no agency of government receives all the funds it needs to carry out its mission, whether that mission is to win the war on drugs, find a cure for cancer, or prevail in the struggle against violent extremism. And all government agencies, including the Department of Defense, have to make hard choices about allocating scarce funds.

For the past decade, the unprecedented growth in military spending has allowed DOD’s military and civilian leadership to delay these difficult choices. The baseline defense budget has risen from about \$375 billion to about \$580 billion over the past decade as a result of what Secretary of Defense Gates has aptly called the “gusher” of defense spending.⁶² Compared to the projections of a decade ago, about \$1 trillion has been added to the baseline budget.

Moreover, DOD has received another \$1 trillion in supplements to wage the wars in Iraq and Afghanistan. The majority of this money has indeed gone to fighting the wars, but the Pentagon also has managed to routinely sneak funding for systems like the F-22 and the V-22 aircraft into the supplemental even though none of those aircraft were lost in the war.

The current defense budget, therefore, can be scaled back to help reduce the deficit with minimal risk to our national security. As presidents from Eisenhower to Obama have noted (correctly), restoring fiscal soundness will actually improve national security in the long run by enhancing the strength of our country at home. And trimming defense spending in a responsible way can rein in the dangerous assumption prevalent in the decade since September 11, that uncontrolled growth in the defense budget can somehow buy perfect security.

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