

3/28/94 | Number 219

THE ARMY'S BUDGET CHOICE: A FORCE TOO SMALL OR HOLLOW

(Updating *Backgrounder* No. 956, "Building An Army for the Post-Cold War Era," September 24, 1993.)

Smaller is not better. Better is better.

General Gordon R. Sullivan, Chief of Staff,
United States Army, February 5, 1994

This curious statement by the Army Chief of Staff suggests he knows something the rest of the national security establishment has not yet figured out: The Clinton Administration has no intention of developing and equipping the forces needed to defend America's global interests for the rest of the 20th century. Indeed, President Clinton will fall some \$100 billion short in funding the level of military might he has determined is necessary over the next five years.¹ But in no armed service are the potential effects of the Clinton Administration's dismantling of America's defenses more vividly foretold than in the United States Army.

The Clinton Administration's defense budget for the period of 1995 through 1999 leaves the Army with a Hobson's choice: it will either be too small to perform its mission of seizing enemy-held territory overseas, or it may be large enough, but lack modern weapons and not be combat-ready. General Sullivan, for good reason, is balking at having to make this choice at all. But his statement of "smaller is not better" suggests that he will resist further force structure reductions beyond those that the Clinton Administration proposed in its comprehensive 1993 analysis of defense policy, known as the Bottom-Up Review. Hence, for the time being, General Sullivan apparently hopes to preserve the Army's size, which risks creating a "hollow force" short of equipment, spare parts, and necessary training.

THE ARMY'S TWO OPTIONS

The full scope of the dilemma facing General Sullivan is best understood by analyzing the two options provided by Clinton's defense budget proposals. If Clinton's figures are accepted, the Army ends up with two equally unattractive options. They are:

1 For a full discussion of the Clinton 1995 Defense Budget, see Baker Spring, "Clinton's Defense Budget Falls Far Short," Heritage Foundation *Backgrounder Update* No. 217, March 15, 1994.

Option 1: A smaller, but more combat-ready Army

In this option, the Clinton Administration decides to reject its own analysis of future defense needs and instead builds an Army smaller than the one envisaged in the Bottom-Up Review. The force most closely resembling this option is Les Aspin's "Option B," which he developed in 1992 while he was Chairman of the House Armed Services Committee.² That force consisted of eight active divisions and four reserve division equivalents, with 808,000 active and reserve troops.³ This compares with the recommendations of the Bottom-Up Review, which calls for ten active divisions and five reserve division equivalents. At this lower force level, more money would be available to spend on operations and maintenance, the mainstays of combat readiness.

Further, the size of this Army would be much smaller than that proposed for the coming fiscal year. The Army plans to have twelve active divisions and eight reserve division equivalents by the end of 1995, with 1.152 million troops. Thus, to reach the force structure of Option 1, the Army would have to eliminate four active divisions and four reserve division equivalents (see Table 1). It would also have to eliminate 344,000 billets between 1996 and 1999 to meet the levels in this option (see Table 2).

A smaller force structure would enable the Army to maintain a budget that is better balanced among its various components. For example, if full funding of military pay is assumed, while funding for the remaining accounts is proportional to that proposed for fiscal 1995, the outcome would be: 1) Military Personnel (compensation) = \$20.5 billion⁴; 2) Operations and Maintenance = \$18.1 billion; 3) Procurement = \$5.1 billion; 4) Research and Development = \$4.5 billion; and, 5) Military Construction and Family Housing = \$1.8 billion (see Table 3).

Broken down this way, more could be spent on combat readiness (the Operations and Maintenance account) in Option 1 than on a larger force consisting of ten active duty divisions and five "division equivalent" forces in reserves. Whereas the larger force would allocate less than \$12,000 (1994 dollars) per soldier from the O&M account, the smaller force would spend more than \$20,000. Thus, the Option 1 or smaller Army would be more combat-ready than the larger force option (see Table 4).

This force may be more combat-ready, but it would be too small to meet the defense needs outlined in the Bottom-Up Review, which concluded that the U.S. must be able to fight two major regional conflicts "nearly simultaneously." When the U.S. fought Operation Desert Storm in 1991, the Army had 26 active and reserve divisions and still found it necessary to shift forces and material from around the globe to support General Schwarzkopf's efforts. The Option 1 force will consist of only twelve active and reserve division equivalents. If a force almost twice the size of Option 2 had difficulties fulfilling the requirements of only one regional contingency, the Option 1 force cannot possibly handle two wars "nearly simultaneously."

In fact, the Option 1 force could not sustain operations in one major regional conflict if it lasted longer than a few months. For example, the U.S. sent seven Army divisions to Operations Desert Shield and Desert Storm. But had the conflict lasted longer, the forces rushed to the Gulf after Iraq's invasion of Kuwait would have to have been replaced in accordance with standard wartime troop rotation requirements. Thus, an additional four or five Army divisions ultimately would have to have been deployed in the Gulf War. In the end, if the war had lasted longer, the Army would have needed eleven or twelve divisions. This requirement is one or two divisions higher than that envisioned in Option 1.

2 Les Aspin, "Defense 1997 Alternatives," February 25, 1992.

3 A division equivalent is a collection of lower level units (such as a brigade or regiment) not formally organized as a division but of roughly the same size and strength.

4 Whereas the Clinton Administration proposes dedicating just under 43 percent of the Army's budget in fiscal 1995 to military pay, the hypothetical Option 1 budget for fiscal 1999 would devote 41 percent to military pay.

Table 1
Army Force Structure Comparison

	FY 1995 (proposed)	Option 1 (1999)	Option 2 (1999)
Active Divisions	12	8	10
Reserve Division Equivalents	8	4	5+
Total	20	12	15+

Table 2
Comparisons of Army Manpower End Strengths

	FY 1995 (proposed)	Option 1 (1999)	Option 2 (1999)
Active Personnel	510,000	445,000	495,000
Reserve Personnel	642,000	363,000	575,000
Total	1,152,000	808,000	1,070,000

Table 3
Comparison of Army Budget Accounts

(in billions\$)

	FY 1995 (proposed)	Option 1 (1999)	Option 2 (1999)
Military Personnel	26.1	20.5	27.8
Operations and Maintenance	21.5	18.1	14.0
Procurement	6.1	5.1	4.0
Research and Development	5.3	4.5	3.4
Military Construction and Family Housing	2.1	1.8	1.4
Total	61.1	50.0	50.0

Table 4
**Comparison of Per Soldier Operation
and Maintenance Investments**
(1994)

FY 1995 (proposed)	Option 1 (1999)	Option 2 (1999)
\$19,000	\$20,000	\$12,000

Table 5
**Army Procurement Budget
in Decline**
(billions \$1994)

1985	1990	1995 (proposed)	1999 (Option 1)
23.7	15.3	5.9	3.5

Option 2: A larger, but "hollow" Army

This option assumes that the Army sticks with the size of the force structure recommended in the Bottom-Up Review. That study concluded that by 1999 the Army must retain ten active duty divisions and approximately five "division equivalents" in the reserve component (see Table 1). In this force, the Army would maintain 1.07 million active duty and reserve troops (see Table 2).⁵ • The 1999 Army budget will be approximately \$50 billion, not accounting for inflation

But this \$50 billion is not enough to keep the Army combat-ready. For example, Congress will insist that military pay be "fully funded," that is, regularly adjusted for inflation. However, if Congress fully funds military pay for the force of 1.07 million and allocates the rest of the funds in proportions similar to those found in the fiscal 1995 budget, it will greatly distort the Army budget. If these proportions are followed, the Army's 1999 budget will be: 1) Military Personnel (pay and allowances) = \$27.8 billion; 2) Operations and Maintenance = \$14.0 billion; 3) Procurement = \$4.0 billion; 4) Research and Development = \$3.4 billion; and, 5) Military Construction and Family Housing = \$1.4 billion (see Table 3). This breakdown clearly demonstrates that by 1999 the cost for personnel will swamp the budget, constituting almost 55 percent of the entire Army budget.

Not even during the years of the "hollow" Army in the 1970s did the personnel accounts exceed 50 percent. For example, in 1978, when the Carter defense budget was at its lowest, personnel accounted for 40 percent of the Army budget. Thus, this option commits the nation to an Army that has too many troops for the amount of modern weapons and equipment needed to maintain combat readiness.

The impact of adopting Option 2 on the Army's modernization program is nothing short of catastrophic. This is because the Army's modernization accounts have been on a downward slope for a decade. For example, the Army budget for new weapons and equipment peaked in fiscal 1985 at \$23.7 billion (in 1994 dollars). The current fiscal year will see \$7.4 billion invested in procurement, a 69 percent reduction from the 1985 level. Option 2 would provide only \$4 billion for procurement in 1999. This translates to slightly more than \$3.5 billion when adjusted for inflation. Therefore, Army procurement under Option 2 will be only 15 percent in 1999 of what is was in 1985 (see Table 5).

These draconian cuts in the Army's modernization budget are already having an effect. For example, the Army will purchase no new tanks in fiscal year 1995, whereas it purchased 448 in 1990 and 720 in 1985. According to General Sullivan, the Army must terminate 57 programs now in production or development between 1995 and 1999 to meet the procurement reduction requirements imposed on him by the Clinton budget. Another 77 programs will be delayed or deferred during the same period. With such a budget, the Army cannot continue to be the modern, high technology force it was in the late 1980s and early 1990s.

Option 2 also will seriously weaken the Army's combat readiness, which is paid for mostly out of the Operation and Maintenance (O&M) account. Under this option, O&M will constitute only 28 percent of the total Army budget in 1999, down from 35 percent in 1995. This level of spending means that while around \$19,000 (in 1994 dollars) in O&M funds will be available per soldier in 1995, only \$12,000 per soldier will be spent in 1999 (see Table 4). Such low levels of funding for operations and maintenance will produce an Army unable to fight. As Republican Senator John McCain of Arizona warned last year, "Today, that readiness [exhibited in *Operation Desert Storm*] is beginning to evaporate."⁶

5 The Army expected by the end of 1995 will comprise twelve active duty divisions and eight reserve division equivalents, a total of 1.152 million men and women under arms. Thus, to reach the 1999 projections, the Army will have to jettison two active duty divisions, more than two division equivalents from the reserves (see Table 1), and 82,000 positions (see Table 2).

6 Senator John McCain, "Going Hollow: The Warnings Of Our Chiefs of Staff," July 1993, p. 1.

CONCLUSION

If the Clinton Administration intends to disregard its own conclusions regarding America's defense requirements and build a much smaller military force, the President should tell Congress and the American people. Instead, he clings to the Bottom-Up Review, but fails to budget enough money to build that force. He reiterated his support for the Bottom-Up Review force in his January 25 State of the Union Address, where he stated: "Last year, I proposed a defense plan [the Bottom-Up Review] that maintains our post-Cold War security at a lower cost."⁷ In so doing, the Administration risks a \$100 billion shortfall by 1999.

Fully funding the Bottom-Up Review Army will cost about \$57 billion (not accounting for inflation) in 1999, or \$7 billion (15 percent) more than the Administration is likely to propose. From 1995 through 1999, additional funding for the Army would amount to about \$18 billion.

The President's strong rhetoric on defense is not being matched by his budgetary actions.⁸ It is not a question of whether, but when, this President or his successor will have those defenses tested by threats to the nation's global vital interests. When that happens, it will be too late for the American people to get the full accounting of how the Clinton Administration was allowed to dismantle America's fighting machine.

Baker Spring
Senior Policy Analyst

⁷ The text of President Clinton's State of the Union Address is reprinted in the January 26, 1993, edition of *The Washington Post*, p. A-12.

⁸ For a full discussion, see Baker Spring, "Rhetoric vs. Reality: Assessing Clinton's Defense Policy," Heritage Foundation *Background Update* No. 216, February 14, 1994.

