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A GAME PLAN FOR RESTORING AMERICA'S DEFENSES

INTRODUCTION

The new majority in the House of Representatives is committed through its Contract With America to halting the ten-year-long "downward spiral of defense spending."¹ The portion of the Contract dealing with America's defenses, the National Security Revitalization Act of 1995, has been marked up by the House International Relations and National Security Committees. The full House will vote on it as part of the Contract within the first 100 days of the new session. The legislation will establish a Commission on National Security and Department of Defense Force Structure and Readiness Funding Shortfalls, which will be required, among other things, to "accurately identify and restore the Administration's five-year defense plan and force structure funding shortfalls."

This will not be easy. The cost of establishing a solid defense program based on the Clinton Administration's five-year plan will be significant, for President Clinton's defense policy is flawed. Indeed, unless Congress takes steps to reverse it, America's military soon will be unable to fulfill its primary mission of protecting the nation's vital interests. Critical decisions are being made at the Pentagon not based on how best to deal with existing and emerging threats to national security, but according to how much money the Administration and the Congress are willing to spend on defense.

So far they have not been willing to spend enough. The President's own defense advisors believe the Pentagon is \$49 billion short of the amount needed to fund the Administration's planned force for fiscal years 1996 to 2001.² In March 1994, The Heritage Foundation concluded that the Administration's five-year defense plan (fiscal years 1995 to 1999) was underfunded by \$100 billion. In July 1994, Congress's own General Ac-

1 The National Security Revitalization Act, Sec. 103(1).

2 Department of Defense, "Modernization Priorities in the FY 1996-01 Budget," News Release No. 687-94, December 9, 1994.

counting Office determined that the shortfall was actually \$150 billion over the same five-year period.³ Regardless of which figure is true, there clearly is a need for additional defense spending, and the Contract With America acknowledges as much.

To restore America's military strength and readiness, however, Congress must do more than spend more money on defense. It must force the Administration to exercise discipline in how the money is spent and to impose restraints on the level of military commitments the United States will assume. In short, U.S. defense policy must ensure that the nation fully funds the force that is needed to fulfill the missions assigned to it. To do this, Congress and the commission to be established by the National Security Revitalization Act to review defense policy should:

- ✓ **Increase military pay to keep pace with inflation.** Since Clinton took office, military pay has declined relative to comparable civilian pay. If this continues, recruitment and retention will become more difficult as the military is unable to compete in labor markets.
- ✓ **Stop using money programmed for operations and maintenance (O&M) to pay for contingencies like peacekeeping.** The Administration has requested sufficient funds for the operations and maintenance account given the size of the force but has squandered it too readily to pay for unbudgeted U.N. activities in Haiti and Somalia.
- ✓ **Increase funding for research and development (R&D).** The Clinton Administration is endangering America's technological superiority by spending too little to maintain the pool of technologies from which the next generation of weapons will be drawn.
- ✓ **Increase the weapons procurement budget to 1.5 times the R&D budget by the end of five years.** In addition to spending too little on R&D, the Pentagon has stopped buying new weapons to replace aging systems. The procurement budget has dropped by almost 66 percent since fiscal 1985.
- ✓ **Increase the conventional force structure to levels slightly higher than those proposed by the Clinton Administration and set a realistic goal for the commitment of forces to overseas conflicts.** The Administration strategy is for U.S. forces to be able to fight in two major overseas wars at the same time. Few believe this is possible. The new Congress should force the Administration to develop a strategy that sets a more realistic objective of one major conflict with enough in reserve for a smaller contingency operation. Even after scaling back the goals of the national strategy, a modest increase in force structure will be needed, particularly for the Navy.

3 General Accounting Office, "Future Years Defense Program: Optimistic Estimates Lead to Billions in Overprogramming," July 1994.

WHAT'S WRONG WITH CLINTON'S DEFENSE POLICY

The shortcomings of the Clinton Administration's defense budget policy already are damaging the readiness and capabilities of the armed forces. These problems are:

Military pay is failing to keep pace with inflation. For fiscal year 1994, the Clinton Administration proposed a pay freeze. For fiscal 1995, it proposed a 1.6 percent pay raise. While Congress voted to provide increases of 2.2 percent in 1994 and 2.6 percent in 1995, the inflation rate was estimated at 2.7 percent in 1994 and is projected to be 3.2 percent in 1995. The Contract With America acknowledges that military pay is "approximately 12 percent below comparable civilian levels" and notes that the "Department of Defense will soon begin providing supplementary food benefits to an estimated 11,000 military dependents assigned overseas."⁴

The U.S. military is now an all-volunteer force. This means it must compete against the civilian sector in the labor market. If Congress does not make a specific commitment to protect military pay against inflation, the quality of personnel in the force will decline. In fact, a decline in the quality of recruits already has begun to surface. In 1992, for example, 74 percent of military recruits were placed in the "High Quality" category based on test scores, education levels, and other measurements. By 1994, the percentage of "High Quality" recruits had fallen to 68.

Moreover, as real salaries decline, it will be harder to retain experienced veterans. Good people will start to leave the service. Potential retention problems at present are being masked by massive reductions, but the gap between military pay and civilian pay will reach 20 percent by 1998.⁵ If this pay problem is ignored for too long, the very notion of an all-volunteer force will be threatened.

Near-term readiness is collapsing. On November 15, Secretary of Defense Perry announced that almost half (five of twelve) Army divisions are down from the highest state of readiness as measured on a monthly basis.⁶ This is a shocking revelation, particularly because the Administration has cut the near-term readiness accounts by far less than the modernization accounts. The near-term readiness accounts—operations and maintenance (O&M) and personnel—have been reduced by a little less than 18 percent in real terms since 1985. This compares with the much greater reduction of 53 percent in the modernization accounts—research and development (R&D) and procurement—over the same period. In the Clinton defense budgets, near-term readiness accounts have not been starved of funds. Rather, the problem is how the Pentagon is spending the funds for readiness. Instead of using the money for training, spare parts, and the other purposes for which it has been authorized, the Pentagon has been forced

⁴ The National Security Act of 1995, Sec. 2(b)(7).

⁵ Senator John McCain, *Going Hollow: The Warnings of the Chiefs of Staff (An Update)*, September 1994, p. 8.

⁶ Secretary Perry acknowledged the readiness problem in the Army in a November 15 letter to the then-Chairman of the House Armed Services Committee, Democrat Ron Dellums of California. For a description of the readiness problem revealed in the November 15 letter, see Bradley Graham and John F. Harris, "Army's Combat Readiness Overstated, Perry Admits," *The Washington Post*, November 16, 1994, p. A1.

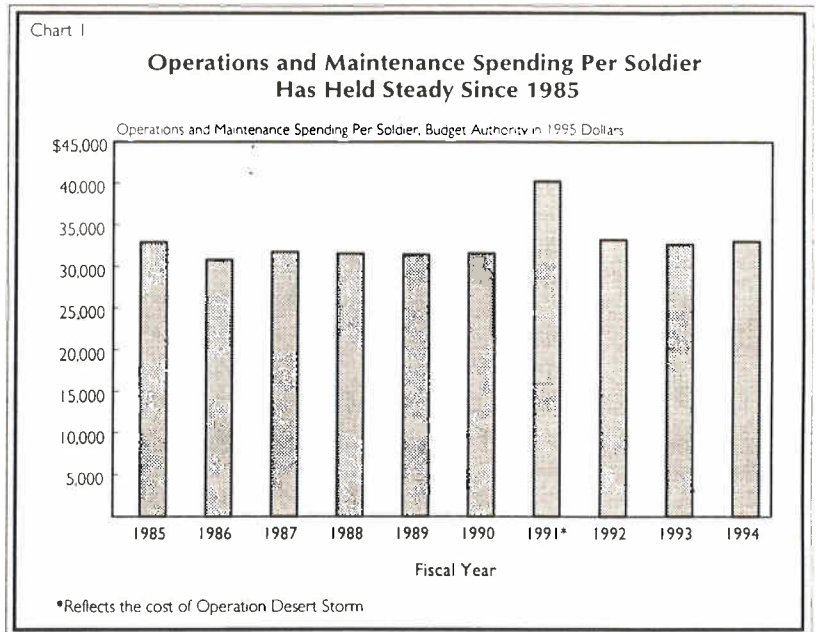
to pick up the cost of the Clinton Administration's support of United Nations peacekeeping and other activities in Haiti, Somalia, and Rwanda.

For the past the two years, the Clinton Administration has assumed obligations for these missions, which it calls "Operations Other Than War" (OOTW). It has asked for about \$2 billion per year in supplemental appropriations to cover the costs

of such operations during fiscal years 1994 and 1995. Limiting OOTW, which could be done either by narrowing the range of circumstances under the which the Administration would be allowed to assume such an obligation or by imposing a cap on spending for such operations, could save perhaps \$10 billion over the five-year period. This assumes the Administration will participate in OOTW activities, which it has not anticipated, at the same \$2 billion-per-year rate. These savings should be kept in the defense budget and used to fund near-term readiness programs in the operations and maintenance budget.

Purchases of new weapons are being abandoned. Funds used to ensure a modern military force—procurement and R&D accounts in the defense budget—have fallen by 53 percent (adjusted for inflation) since defense spending peaked in 1985. Of these reductions in modernization funding, the vast majority have come from the procurement account. The funding level for this account, which is used to buy new weapons systems, has dropped by almost 66 percent in real terms, while the smaller research and development account's funding has dropped by 17 percent. The impact of these cuts on new weapons purchases has been dramatic. For example, the Navy will procure only six new ships in 1995, whereas it purchased 20 in 1990 and 29 in 1985.⁷ The Army will buy no new tanks in 1995; it bought 448 in 1990 and 720 in 1985.⁸ All the services combined will purchase just 127 tactical aircraft in 1995, compared with 511 such aircraft in 1990 and 943 in 1985.⁹

The effect of such reductions is an aging force structure that costs more to maintain. For example, the average age of the Army's M-1 *Abrams* tanks will almost triple dur-



7 Department of Defense, "FY 1995 Defense Budget," News Release No. 043-94, February 7, 1994, along with supporting materials.

8 *Ibid.*

9 *Ibid.*

ing the 1990s. Further, today's neglect will lead to a need for a dramatic increase in procurement spending in the future. The services face the dire need to replace several major weapons all at once when it is determined that existing systems no longer can continue in service either because the cost of maintenance is too high or because they are technologically inferior.

The development of future-generation weapons programs is being curtailed. Pressures brought about by reductions in the research and development budget also are becoming apparent. Secretary Perry on December 9 announced a decision to abandon or scale back six major programs now in research and development. The programs affected are: 1) the Advanced Amphibious Assault Vehicle, 2) the *Comanche* helicopter, 3) the F-22 fighter aircraft, 4) the new attack submarine, 5) the Tri-Service Stand-off Attack Missile, and 6) the V-22 *Osprey* transport aircraft.¹⁰ The impact of this decision, however, pales in comparison to that of the September 1993 decision to reduce the commitment to development of ballistic missile defenses by more than 50 percent

Combined with the reductions in procurement, the future impact of this failure to modernize the force could be tremendous. During Operation Desert Storm, for example, victory with so few casualties was due in large part to the tremendous technological advantage the U.S.-led coalition enjoyed over the Iraqi military. The effects of the Reagan build-up and modernization were obvious. In a future conflict, that edge will have been greatly reduced by the Clinton Administration's failure to modernize. The *Comanche* helicopter, for example, was to be the Army's "quarterback" in the conduct of land warfare. It was to help scout the battlefield for enemy forces and direct other Army forces on how to engage the enemy with less risk to themselves.

The conventional force structure is too small to meet its assigned mission. The Clinton Administration has argued that the military force it proposed for the United States in 1993's "Bottom-Up Review" of defense policy is adequate to handle two major regional contingencies, roughly similar to Operation Desert Storm, "nearly simultaneously." This force, which includes the equivalent of between 15 and 16 Army divisions, 20 Air Force tactical fighter wings, up to 184 bombers, 11 active aircraft carriers (plus one reserve/training carrier), and 174,000 active-duty Marine Corps troops, is too small to meet this commitment.¹¹

While the Administration's desire to meet two regional contingencies "nearly simultaneously" is understandable, it is a goal that cannot be achieved without a significant expansion of the force and a substantial increase in defense spending well beyond the \$100 billion-\$150 billion shortfall that already exists. Indeed, few believe the Administration's two-war scenario is feasible. Even Secretary of Defense William Perry has conceded it will be at least several years before this is possible. Moreover, the Administration's penchant for United Nations peacekeeping "Operations Other Than War"

¹⁰ A program now in procurement, the DDG-51 destroyer, also was scaled back by this decision.

¹¹ For a detailed criticism of the findings of the Bottom-Up Review, see Lawrence T. Di Rita *et al.*, "Thumbs Down to the Bottom-Up Review," Heritage Foundation *Backgrounder* No. 957, September 22, 1993. For a comparison of the Clinton force versus two Desert Storms, see Lawrence T. Di Rita and Baker Spring, "The Decline of U.S. Military Strength Since the Gulf War," Heritage Foundation *F.Y.I.* No. 42, October 17, 1994.

puts additional strain on the already shrinking U.S. military and calls into question the entire National Security Strategy, which is built around the two-war concept.¹²

There is too much “pork” in the Pentagon budget. Funds in the Defense Department’s budget allocated to non-defense spending have risen by over 300 percent from 1990 through 1994. This increase has been accompanied by a steady decline in overall defense spending.¹³ If this current level of expenditures continues, the 1996-2000 five-year defense plan will include as much as \$61 billion for programs that have little to do with military preparedness.¹⁴ These funds should be directed to the operations and maintenance account to fund near-term readiness. This will have no effect on the total amount spent on defense during the five-year period.

RESOLVING THE DEFENSE BUDGET CRISIS

The new Congress has much to do if it is to reverse these trends, and it will be costly. As noted, The Heritage Foundation has concluded that fully funding the Clinton Administration’s own force will cost about \$100 billion more than the Administration has budgeted for its five-year defense plan beginning in 1996. Beyond that, an additional \$60 billion will be needed for initiatives that have not been supported by the Clinton Administration, but to which the new majority is committed. This includes substantial additional funding for ballistic missile defense (see Table 1).

But beyond just increasing the defense budget, the new Congress should use this opportunity to implement rational funding priorities between the various accounts such as personnel, operations and maintenance,

Billions of \$ in Budget Authority	1996	1997	1998	1999	2000	Total
Likely Clinton Request	257.3	254.0	261.7	268.1	279.6	1,320.7
Net Additions*	17.8	29.4	32.3	39.4	41.4	160.3
New Total	275.1	283.4	294.0	307.5	321.0	1,481.0

*Figures do not include the reallocation of funds within the defense account.

procurement, and research and development. Specific figures recommended for the major accounts in the defense budget, including the topline figure, are provided in Table 2.¹⁵ Funds within the major accounts should be allocated according to the following principles:

- 12 For a full discussion, see Lawrence T. Di Rita, “Clinton’s Bankrupt National Security Strategy,” Heritage Foundation *Backgrounder* No. 1000, September 27, 1994.
- 13 For a full discussion, see John F. Luddy, “More Non-Defense Spending in the Defense Budget,” Heritage Foundation *F.Y.I.* No. 48, December 30, 1994.
- 14 Keith Berner and Stephen Daggett, “Items in FY 1995 Defense Legislation That May Not Be Directly Related to Traditional Military Capabilities,” Congressional Research Service, October 31, 1994. For a detailed discussion of the findings of the Congressional Research Service, see Luddy, “More Non-Defense Spending in the Defense Budget.”
- 15 The numbers in this table are not derived in any way from the Administration’s proposed defense budgets for future years below the topline. The Administration figures are classified.

- ✓ **Increase military pay to keep pace with inflation.** Since Clinton took office, military pay has declined relative to comparable civilian pay. If this continues, recruitment and retention will become more difficult as the military is unable to compete in labor markets. Increases in the military personnel account above the requested level will not be needed if the Clinton Administration increases military pay at the rate of inflation during the next five years. President Clinton's December 1 announcement that he will add \$16 billion to the defense budget during the next five years may make this possible.¹⁶ This principle accepts the Administration proposal that military manpower levels be reduced to somewhat more than 2.3 million active and reserve combined.
- ✓ **Stop using money programmed for Operations and Maintenance (O&M) to pay for contingencies like peacekeeping.** The Administration has requested sufficient funds for the operations and maintenance account given the size of the force but has squandered it too readily to pay for unbudgeted U.N. activities in Haiti and Somalia. The amount of O&M funding per soldier has been relatively steady since 1985 (see Chart 1). Increases in the operations and maintenance account above the Clinton Administration's requested level should not be necessary, assuming that the Administration maintains per-

soldier investment in the operations and maintenance account at the 1995 level (about \$36,000) and that all such money really is directed toward combat readiness. To do so, Congress must prevent the Administration from paying for Operations Other Than War, the Administration's euphemism for United Nations peacekeeping

Table 2

**Heritage Alternative Defense Budget:
FY 1996 to FY 2000**
(billions of current dollars in budget authority)

Fiscal Year	1995*	1996	1997	1998	1999	2000
Military Personnel	70.5	72.4	72.7	73.9	76.3	78.7
Operations and Maintenance	92.9	94.3	94.7	96.3	99.3	102.5
Procurement	43.3	48.8	54.2	59.6	65.0	70.3
Research and Development	36.2	38.3	40.4	42.6	44.8	46.9
Other	9.3	9.4	9.5	9.6	9.9	10.2
Total Military (051)	252.2	263.2	271.5	282.0	295.3	308.6
DOE Defense Programs	11.5	11.9	11.9	12.0	12.2	12.4
Total Defense (050)	263.7	275.1	283.4	294.0	307.5	321.0
Clinton Topline (050)**	--	257.3	254.0	261.7	268.1	279.6
Clinton Budget v. Proposed Level	--	17.8	29.4	32.3	39.4	41.4

*Reflects Clinton Administration requested level for sake of comparison
**Anticipated Clinton request

16 President Clinton announced that he was adding \$25 billion to the defense budget, but \$9 billion of this falls outside the five-year budget period.

operations, from the O&M account. This could add as much as \$10 billion to O&M funding over five years, given the \$2 billion per year the Administration has spent on OOTW since 1992.

✓ **Increase funding for Research and Development (R&D).** The Clinton Administration is endangering America's technological superiority by spending too little to maintain the pool of technologies from which the next generation of weapons will be drawn. Research and development budgets should be restored to \$40 billion, in 1995 dollars, by the end of the 1996-2000 five-year defense plan. This level of funding for research and development approximates that which existed before the Clinton Administration. The programs toward which such funding should be applied include 1) ballistic missile defense, 2) an anti-satellite (ASAT) program, 3) the *Warbreaker* reconnaissance/strike program, 4) a new family of low-yield tactical nuclear weapons to counter regional foes possessing weapons of mass destruction, and 5) six programs targeted by Secretary of Defense Perry in a December 9 announcement for reduction or termination: the Advanced Amphibious Assault Vehicle, the *Comanche* helicopter, the F-22 fighter, the new attack submarine, the Tri-Service Standoff Attack Missile (TSSAM), and the V-22 *Osprey* transport aircraft.

✓ **Restore balance between R&D and weapons procurement.** In addition to spending too little on R&D, the Pentagon has stopped buying new weapons to replace aging systems. The procurement budget has dropped by almost 66 percent since fiscal 1985. The procurement account should be increased to achieve a ratio relative to research and development of 1.5 to 1 by the end of the five-year period and 2 to 1 by the end of ten years. A 2 to 1 ratio between Procurement and R&D matches the traditional relationship between these two accounts. This relationship ensures that enough procurement funds are available to permit R&D "science projects" to develop into actual weapons systems that increase America's military readiness.





Significant increases in the procurement account should be applied to sealift, airlift, the B-2 bomber, a 400-ship Navy (including new DDG-51 Destroyers and the LPD-17 Amphibious Transport), ballistic missile defense (mostly in the later years), and, also in the later years, the six programs now in research and development that have been targeted by Perry for reduction or termination.

✓ **Increase the conventional force structure to levels slightly higher than those proposed by the Clinton Administration and set a realistic goal for the commitment of this force to overseas conflicts.** The Administration's strategy is for U.S. forces to be able to fight in two major overseas wars at the same time, but Secretary Perry believes it will be at least several years before this is possible.¹⁷ The new Congress should force the Administration to develop a strategy that sets a more realistic objective of one major conflict with enough in reserve for a smaller contingency operation. Even after scaling back the goals of the national strategy, a modest increase in force structure will be needed, particularly for the Navy.

17 William Matthews, "2 Wars Now Are Too Many," *Navy Times*, July 25, 1994, p. 26.

The force proposed by the Administration in the Bottom-Up Review is capable of handling one major regional contingency and one minor regional contingency simultaneously if several adjustments are made. These adjustments include: 1) increasing the number of Navy ships to 400 (including one additional active aircraft carrier) from the proposed level of 346 ships, 2) adding 3,000 active-duty Marine Corps troops to the 174,000 backed by the Administration, and 3) providing for an additional Air Force tactical fighter wing above the 20 proposed by the Administration. This slightly larger force is referred to as the Heritage Floor Force and was proposed originally by The Heritage Foundation in May of 1993 (see Table 3 for a comparison).¹⁸ These modest increases from the Bottom-Up Review level will mean a relatively small additional cost to the defense budget, which is provided for in the budget proposals presented earlier and summarized in Tables 1 and 2.

Table 3
U.S. Requires a Force Slightly Larger than the Bottom-Up Review Force

		BUR Force FY 1999	Heritage Floor Force
	Army Divisions	15+	16
	Air Force Tactical Wings	20	21
	Navy	346 Ships 12 Carriers*	400 Ships 12 Carriers
	Marine Corps Personnel	174,000	177,000

* Includes training/reserve carrier.

CONCLUSION

The new majority in Congress has a mandate from the American people to restore America's defenses. The Contract With America includes the National Security Restoration Act of 1995 which, when passed, will require the Congress and the President to address many of the issues presented here. This will be neither easy nor cheap. But the next overseas conflict to which U.S. troops are sent will not be any easier or any cheaper. It would be far better to make the tough choices now rather than then.

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¹⁸ For a detailed description of the Heritage Floor Force, see Kim R. Holmes, ed., *A Safe and Prosperous America: A U.S. Foreign and Defense Policy Blueprint* (Washington, D.C.: The Heritage Foundation, 1993), pp. 50-55.

