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## THE CBO ESTIMATE ON MISSILE DEFENSE: A CASE OF FLAWS AND DISTORTIONS

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President Bill Clinton and other opponents of national missile defenses charge it will cost too much to defend Americans against missile attack.<sup>1</sup> As evidence Clinton points to a May 15 estimate by the Congressional Budget Office (CBO) that a missile defense system required by the Defend America Act of 1996 would cost as much as \$60 billion.<sup>2</sup> Both the President and the CBO are wrong. Defending America from nuclear attack will not cost as much as the CBO thinks. The U.S. could deploy a missile defense system for as little as \$8 billion.

The CBO estimate is wrong because it is based on a flawed assumption that a ground-based system is the best option for ballistic missile defense (BMD). It is not. A sea-based option would not only be more effective, it would cost much less. Besides, the CBO report has been mischaracterized by critics of missile defense. All the critics say is that such a defense will cost \$60 billion. What these critics ignore is that in the CBO estimate the initial defense system would cost only a fraction of the \$60 billion claimed. The larger total applies to the deployment of several defensive systems, not just one, over a fourteen-year period. Critics pretend that the total cost figure would have to be paid in order to defend America from attack. This is not true. Using CBO's approach, an initial missile defense system costing as little \$14 billion could provide coverage for the territory of the United States against very limited attacks with unsophisticated missiles.

### The CBO Report

The Congressional Budget Office is charged by Congress to estimate the budgetary impact of legislation. In performing this function, the CBO issued an estimate on May 15 of the cost of enacting the Defend America Act, which would commit the nation to the deployment of a national missile defense system by 2003. However, the act is essentially a statement of strategic policy goals or priori-

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1 President Clinton made this charge in a May 22, 1996, address at the Coast Guard Academy in Groton, Connecticut.

2 CBO's cost estimate was provided in a May 15, 1996, letter from CBO Director June E. O'Neill to the Chairman of the House National Security Committee, Representative Floyd Spence.

ties. It includes no budgetary authorization and mandates no particular BMD system or “architecture” which can be costed with any precision or certainty. This allowed the CBO to estimate the cost on the basis of its own assumptions. These assumptions led to a general cost estimate of \$31 billion to \$60 billion to deploy a combination of several national missile defense systems, extending over a fourteen-year period. This wildly varying estimate has been used by critics of missile defense to distort the real cost of missile defenses.

**CBO’s flawed assumption.** The CBO estimate of the cost of the Defend America Act is based on a flawed assumption: that the ground-based approach pursued by the Clinton Administration is the only option for fielding an initial defense. The CBO began its analysis by examining hypothetical approaches proposed by the Clinton Administration’s Ballistic Missile Defense Organization (BMDO). However, the Clinton Administration is opposed to national missile defenses and has no incentive to discuss the most cost-effective approach to deployment, even hypothetically. The Administration’s hypothetical approach would deploy a single site of 100 fixed, ground-based interceptors, as allowed by the 1972 Anti-Ballistic Missile (ABM) Treaty. This system, according to the CBO, would cost \$14 billion if an array of sensor satellites were included in the deployment plan. The CBO then added two additional interceptor sites. This ran the cost of the system up, according to the CBO, to \$18 billion.

But the ground-based-only approach is not the only option. In fact, it is the worst option, not only costing too much, but not doing the job of effectively providing a wide-area of coverage against attack. The CBO failed to consider the option of modifying existing Navy AEGIS cruisers to serve as BMD platforms. The Heritage Foundation’s Missile Defense Study Team (“Team B”) estimates the cost of this alternative at \$2-3 billion over six years, with an additional \$5 billion for the sensor satellites.<sup>3</sup> Therefore, the cost of an initial defense could be between \$7 billion and \$8 billion, as opposed to CBO’s estimate of between \$14 billion and \$18 billion.

**Distortions of the CBO estimate.** The failure to consider other more viable options was not the only problem with the CBO estimate. Another is the wide range in the estimate of \$31 billion to \$60 billion over 14 years. The 100 percent variance in this estimate is so broad as to make it meaningless. No one can seriously base a judgment on it. Estimating the cost of missile defenses over a 14-year period would have been akin to devising a similar cost estimate in 1958 for the cost of five generations of intercontinental ballistic missiles (the *Titan I*, the *Titan II*, the *Minuteman I*, the *Minuteman II*, and the *Minuteman III*) through 1972. If the procurement cost of these systems—likely more than \$200 billion—had been debated prior to the decision to develop ballistic missiles, perhaps Congress would have been equally shocked by the “sticker price” of deploying a nuclear deterrent for the next 14 years. The country should be very glad indeed that the Congress did not engage in such a spurious debate.

Further, the assertion that deploying a missile defense system will cost \$60 billion distorts the CBO’s analysis. First, the \$60 billion estimate is an upper limit. Even by its own analysis, CBO’s cost of a multiple-system deployment could be as low as \$31 billion. Second, this range of estimates covers the period from fiscal 1997 through 2010, or 14 years. That amounts to between \$2.2 billion and \$4.2 billion per year, or less than 2 percent of annual defense budgets. Third, the five-year estimate (fiscal 1997 through 2001) is less than \$10 billion. Finally, and most important, the CBO assessment includes additions to the initial deployment that consist of space-based interceptors and space-based lasers.

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3 For details see Missile Defense Study Team, *Defending America: Ending America’s Vulnerability to Ballistic Missiles* (Washington, D.C.: The Heritage Foundation, 1996), pp. 35-36.

While any long-term deployment plan may cost any amount of money, the fact remains that CBO's initial deployment of ground-based interceptors, along with sensor satellites, would cost as little as \$14 billion. Thus, despite the fact that CBO adopts an expensive approach to missile defense, even its own plan is still clearly affordable under defense budgets that will range between \$250 billion and \$350 billion per year (as measured in current dollars) for the 14-year period in question.

## **Conclusion**

The presumed high cost of a national missile defense system serves merely as an excuse, not a reason, to oppose a decision to deploy national missile defenses. The CBO cost estimate is based on the flawed assumption that the Clinton Administration's approach to deployment is the most cost-effective. It is not. For this reason, Congress can safely ignore CBO's estimate and it certainly should ignore the misrepresentations of CBO's analysis provided by President Clinton. The fact is that a decision to deploy a national missile defense system is compatible with the defense budgets proposed by both the Clinton Administration and Congress.

