

# WebMemo



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## The \$64,000 Question: Is President Obama Actually Increasing the Defense Budget?

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A widespread assumption is taking root: President Obama's fiscal year (FY) 2010 defense budget request is an increase from President Bush's 2009 defense budget. This assumption raises the question: Is the defense budget *really* growing? The answer: maybe. Indeed, it is difficult to simply answer yes or no because, until the President's detailed budget request reaches Capitol Hill, Congress has to compare apples and oranges.

For now, Congress may safely assume that President Obama has submitted a budget blueprint for 2010 that appears to allow marginal real growth in the Department of Defense budget; however, that growth may never occur once inflation numbers are known. In short, Obama's defense budget increase is so small that it may more than likely turn out to be a flat or declining amount in 2010.

When the detailed request comes to Capitol Hill, Congress must focus on the where the real defense budget cuts will ultimately be made: the modernization accounts that buy the military's next-generation equipment. Congress should also be concerned that President Obama's long-term projections call for dramatic reductions in the defense budget and, consequently, should seek to restore those cuts beginning with the 2010 congressional budget resolution.

**Everyone Has a Different Number.** Because Congress does not yet have President Obama's detailed budget request, many Members are comparing the entire defense budgets from 2009 to 2010—as opposed to the core defense budgets.

The so-called total defense budget is calculated by taking the “core” budget that funds the Department of Defense and some related Department of Energy functions and adding emergency warfighting supplements for Iraq and Afghanistan. Comparing last year and this year's total defense budgets is difficult because President Bush made a request for war funding that covered only the first half of FY 2009. President Obama has just sent his request for the second half of the year to the Hill, where Congress is currently reviewing the bill.

Under Obama, the numbers show marginal real growth in the 2010 core defense budget that excludes funding for Iraq and Afghanistan. But the total defense budget may fail to keep pace with inflation from the Bush budget in FY 2009 to the Obama request in FY 2010. Since the cost of doing business for the military typically outpaces inflation by an average of 3 percent annually, a defense budget that is essentially flat is really a declining defense budget, practically speaking.

The projected federal defense consumption deflator for FY 2010 is 1.28 percent. When the effects of inflation are calculated against the FY 2010 core defense budget there is about \$8 billion

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in real growth. This growth happens because the FY 2010 budget is about \$549 billion in 2009 dollars. However, when comparing the core defense budgets and war funds from 2009 to 2010, the FY 2010 budget represents a \$5.5 billion real reduction. This reduction occurs because when the effects of inflation are calculated, the \$685.7 billion total defense budget in FY 2010 is \$677 billion in 2009 dollars.

Until the details are provided later next month, it remains unclear if President Obama's defense budget will provide for marginal real growth in the core defense budget. The metric used to determine if Obama's defense budget is really increasing over the previous year will be the ultimate rate of inflation for 2010. Given that inflation is likely to be less than 1 percent, it is probable that the entire defense budget request will ultimately be a reduction from the 2009 defense budget.

**Long-Term Defense Budget Decline Proposed by Obama in Real Terms and GDP.** In President Obama's 10-year budget blueprint, every year beyond FY 2010 will almost certainly result in negative real growth year-to-year for the defense budget. While Congress may be pleased to accept a budget proposal that permits real growth in the core defense program from FY 2009 levels in FY 2010, Members should know the budget also:

- Allows negative real growth in all defense spending in the year-to-year comparison; and
- Uninterrupted negative real growth accumulating for the remaining nine years.

When taking into account the negative trends for defense, Congress should use caution when considering a single figure in isolation (i.e., the FY 2010 total defense budget numbers).

President Obama's defense budget projections throughout the next decade also propose a declining defense budget compared to gross domestic

### Defense Budget Request Comparison

	FY 2009 Defense Budget Request	FY 2010 Defense Budget Request
Core Defense Budget <i>In 2009 dollars</i>	\$ 541.1 billion	\$ 556 billion \$ 549 billion
Core Budget, Plus War Funds <i>In 2009 dollars</i>	\$ 682.5 billion	\$ 685.7 billion \$ 677.0 billion

**Sources:** The Heritage Foundation calculations based on Office of Management and Budget and Congressional Budget Office data.

Table I • WM 2411  [heritage.org](http://heritage.org)

product (GDP), beginning with 3.81 percent in 2010 and dropping to a startling 3.01 percent in 2019. By comparison, America has historically spent much more on defense as a percentage of GDP. For example,

- 3 percent during the 1990s drawdown,
- 4.6 percent during the first Gulf War,
- 6 percent during the Reagan buildup,
- 8.9 percent during the Vietnam War,
- 11.7 percent during the Korean War, and
- 34.5 percent during World War II.

When compared to a sustained annual defense investment of 4 percent of GDP required to recapitalize and modernize the U.S. military, the 10-year proposed Obama defense budget is roughly \$1.3 trillion in the red. As noted by Senator James Inhofe (R-OK) in a recent floor speech, "The one thing the Obama defense budget guarantees is that the oldest military in the history of our nation will get even older and more expensive to maintain and operate."<sup>1</sup>

**Dig Deeper to Find the Immediate Defense Cuts.** Congress must also consider several other billpayers knocking at the Pentagon's door that are certain to consume any potential real growth in the Obama defense budget—even before the details are available in May. In the same floor speech earlier

1. Press release, "Obama Defense Budget—From Supremacy to Adequacy," office of Senator James Inhofe, April 20, 2009, at [http://inchofe.senate.gov/public/index.cfm?FuseAction=PressRoom.Speeches&ContentRecord\\_id=c8bf23a7-802a-23ad-4649-7367b80dab0b&Region\\_id=&Issue\\_id=](http://inchofe.senate.gov/public/index.cfm?FuseAction=PressRoom.Speeches&ContentRecord_id=c8bf23a7-802a-23ad-4649-7367b80dab0b&Region_id=&Issue_id=) (April 23, 2009).

this week, Senator Inhofe highlighted the difference in war funding requests for 2009 by Presidents Bush and Obama.

Congress approved \$65.9 billion in emergency supplemental funds for the first part of FY 2009, yet President Obama's supplemental request of \$75.5 billion for defense needs is supposed to pay for invoices that actually run much higher. This six-month supplemental for the second half of FY 2009 is supposed to fund ongoing operations, a significant 21,000-troop increase in Afghanistan, and the expensive beginning of a withdrawal from Iraq. While it may appear to be cheaper to take troops out of Iraq, in the short-term it actually costs much more to get military servicemembers and their gear out.

Senator Inhofe also discussed a recent General Accountability Office report that characterizes the cost to redeploy significant force levels from Iraq as a "massive and expensive effort" with rising near-term costs.<sup>2</sup> The report states the cost of equipment repairs and replacements—along with closing and turning over 283 military installations in Iraq—and finally moving troops and equipment home "will likely be significant." Senator Inhofe and others are rightly sounding an alarm bell that defense spending on current warfighting operations is decreasing in FY 2009 by \$10.7 billion.

President Obama will increase stress on the core defense budget and further squeeze the modernization accounts by paying for the wars through a core budget that has not had an adequate topline growth to fully accommodate contingency costs. Even with the beginning of a drawdown of forces in Iraq, troop levels are increasing in Afghanistan.

Therefore, Congress may safely assume a bare minimum bill of the estimated \$130 billion for the wars in 2010. As Senator Inhofe noted, however, if 2 percent inflation is estimated next year, defense spending would then actually decrease by \$7.3 billion. This decrease would further rob funds from the military modernization account because the costs of growing the Army and Marine Corps alone are about \$13 billion. Congress should not force the

military to choose between people and next-generation equipment.

While the essentially flat defense budget for 2010 cannot yet be characterized as a drastic cut, the information available does indicate the Obama defense budget will significantly decrease the part of the defense budget that modernizes America's military. Some press reports indicate President Obama's FY 2010 defense budget will cut the modernization accounts (procurement in addition to research and development) by up to 5 percent. Five percent may not sound like a lot of money, but in reality it would translate into about \$9.1 billion in cuts in the next year alone when measured against the 2009 modernization accounts.

**Not a Noteworthy Increase.** When comparing the core defense budgets and war funds from 2009 to 2010, the Obama defense budget for next year represents a \$5.5 billion real reduction. This reduction occurs because when the effects of inflation are calculated, the \$685.7 billion total defense budget in FY 2010 is \$677 billion in 2009 dollars. Given that inflation is likely to be less than 1 percent, it is probable that the Obama entire defense budget request will ultimately be a reduction from the 2009 defense budget. Even more devastating is that every year beyond FY 2010 in President Obama's 10-year budget blueprint will almost certainly result in negative real growth year-to-year for the defense budget.

President Obama is proposing scaling back, slowing, or eliminating many critical programs that will give the armed forces cutting-edge technology well into the future. Some of these proposals would impact the Army's Future Combat System, national missile defense, F-22 fighters, C-17s transport aircraft, combat search and rescue helicopters, next generation bombers, and the aircraft carrier fleet. Contrary to popular perception, Obama's 2010 total defense budget proposal is not a noteworthy increase.

Congress should carefully examine the detailed defense budget proposal when it arrives on Capitol Hill next month. Although the budget may seem

2. U.S. Government Accountability Office, *Iraq: Key Issues for Congressional Oversight*, GAO-09-294SP, March 2009, at <http://www.gao.gov/new.items/d09294sp.pdf> (April 23, 2009).

to provide a superficial spending increase, a closer examination reveals an increased risk to the military, particularly with regard to proposed modernization cuts of next-generation systems—systems that will anchor U.S. security for the next 20 years.

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