

BACKGROUND

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Obama's Budget Makes Protecting America Its Lowest Priority

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Abstract

Despite Administration claims to the contrary, President Barack Obama's budget proposal for FY 2013 would reduce national defense to the lowest of the major budget priorities of the federal government. The combination of the budget request and the Budget Control Act of 2011 would reduce the military's personnel levels and force structure to the point that they could no longer protect U.S. vital interests and keep U.S. security commitments around the world. Under the Constitution, Congress has the obligation to pass a budget that maintains U.S. military capabilities.

The Obama Administration is misleading Congress and the American people when it asserts that it plans to maintain a strong national defense. On February 13, 2012, President Barack Obama unveiled his fiscal year (FY) 2013 defense budget request.¹ The request comes on the heels of the January 5, 2012, release of a new strategic guidance outlining the nation's defense policy.² The numbers in the budget submission reveal that the nation's defense is the Administration's lowest budget priority among the major responsibilities of the federal government. The budget submission also reveals that the Administration has proposed defense funding levels that are inadequate to maintaining the U.S. military capabilities described in the defense strategic review.

To fulfill the Constitution's mandate to provide for the common defense, Congress will need to rewrite the Obama Administration's budget proposal, especially the section on defense. The Heritage Foundation's *Saving the American Dream* fiscal plan provides a template for this rewrite.³ The plan points the way toward providing for a strong defense, while limiting the role of the federal government in the economy, keeping taxes low, and balancing

TALKING POINTS

- The Obama Administration's FY 2013 defense budget request would put the federal government on the path to making defense the lowest priority among the four major components of the overall budget.
- This inadequate defense budget would undermine the ability of the U.S. to uphold longstanding security commitments to itself and its friends and allies around the world.
- The proposed budget would reduce the size of the military, defer important modernization programs, reduce the overall readiness of military forces, and undermine recruitment and retention of high quality military personnel.
- Accordingly, Congress needs to revise the Administration's defense budget and program. Revisions should include deferring application of automatic spending cuts (sequestration) under the Budget Control Act and enacting a broader fiscal plan that contains the essential characteristics of Heritage's *Saving the American Dream* plan and that replaces the Budget Control Act.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2658>

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the federal budget within 10 years. Accordingly, Congress should draft a bill on this basis and replace the Budget Control Act of 2011.

A Budget Proposal Inconsistent with Protecting Vital U.S. Interests

Since World War II, the definition of U.S. vital national interests has remained relatively constant. This has led to a widely accepted set of security commitments that the government has made to the American people and U.S. friends and allies around the world. These commitments, which were described in the context of the existing international setting in an April 2011 Heritage study, include:

1. Safeguarding U.S. national security;
2. Preventing a major power threat to Europe, East Asia, or the Persian Gulf;
3. Maintaining access to foreign trade;
4. Protecting Americans against threats to their lives and well-being; and

5. Maintaining access to resources.⁴

The Obama Administration's proposed defense budget, within both the five-year and 10-year time frames, is simply too small to field a military that is capable of effectively defending these vital national interests and fulfilling the accompanying security commitments. Recognizing that neither Congress nor the American people would accept a defense policy that would redefine any of the interests listed above as no longer a matter of vital importance, the Administration has chosen to argue that it can continue to defend these interests with dramatically lower defense budgets. Understanding why this is not true requires examining the Administration's arguments, pointing out the weakness of these arguments. The following facts directly contradict Administration claims.

Fact #1: The proposed budget's lower defense spending caps are not just about eliminating waste and inefficiency in the Pentagon.

President Obama would like the American people to believe that his lower spending caps on defense are only about eliminating waste at the

Pentagon. He expressed this idea quite succinctly during a White House press conference on June 29, 2011: "I, as Commander-in-Chief, have to have difficult conversations with the Pentagon saying, you know what, there's fat here; we're going to have to trim it out."⁵

BY THE ADMINISTRATION'S OWN ADMISSION, THE PRESIDENT'S DEFENSE BUDGET IS OVERWHELMINGLY ABOUT REDUCING U.S. MILITARY CAPABILITIES.

Undoubtedly, there are areas of waste in the Department of Defense (DOD), but by the Administration's own admission, the President's defense budget is overwhelmingly about reducing U.S. military capabilities. Secretary of Defense Leon Panetta has stated that this budget will reduce defense spending by \$487 billion over 10 years, with \$259 billion of these cuts applied over the next five years against an undefined baseline.⁶ Of the \$259 billion in savings over the five years, he acknowledged that only \$60 billion would come from increasing efficiency in the Department of Defense.⁷ Thus, according to Secretary Panetta's

1. U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013* (Washington, D.C.: U.S. Government Printing Office, 2012), at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf> (February 13, 2012).

2. U.S. Department of Defense, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," January 2012, at http://www.defense.gov/news/Defense_Strategic_Guidance.pdf (January 30, 2012).

3. Stuart M. Butler, Alison Acosta Fraser, and William W. Beach, eds., *Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity*, The Heritage Foundation, 2011, at <http://www.heritage.org/research/reports/2011/05/saving-the-american-dream-the-heritage-plan-to-fix-the-debt-cut-spending-and-restore-prosperity> (February 14, 2012).

4. The Heritage Foundation, "A Strong National Defense: The Armed Forces America Needs and What They Will Cost," Heritage Foundation *Special Report* No. 90, April 5, 2011, at <http://www.heritage.org/research/reports/2011/04/a-strong-national-defense-the-armed-forces-america-needs-and-what-they-will-cost> (February 6, 2012).

5. Barack Obama, "Press Conference by the President," The White House, June 29, 2011, at <http://www.whitehouse.gov/the-press-office/2011/06/29/press-conference-president> (February 2, 2012).

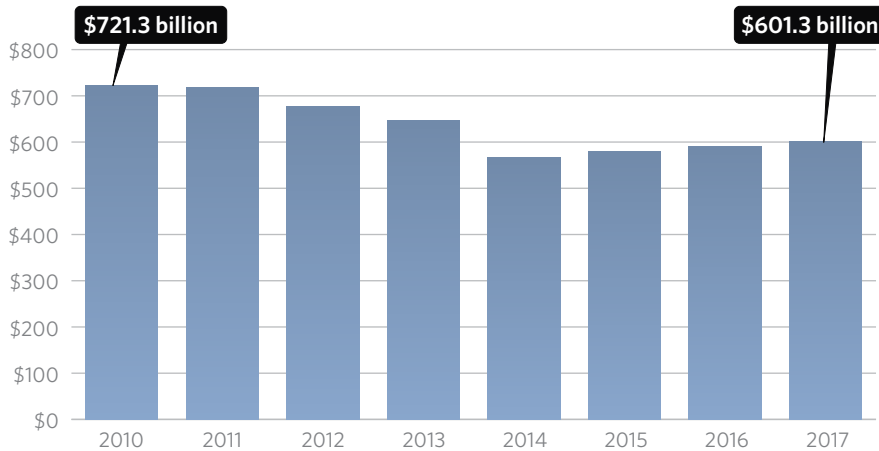
6. Leon Panetta, "Major Budget Decisions Briefing from the Pentagon," U.S. Department of Defense, January 26, 2012, at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4962> (February 6, 2012).

7. *Ibid.*

CHART 1

Overall Defense Budget Declines from FY 2010 to FY 2017

BILLIONS OF DOLLARS (BUDGET AUTHORITY)



Source: Heritage Foundation calculations based on data from Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013*, February 13, 2012, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf> (February 13, 2012).

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statement, less than a quarter of the proposed savings over the next five years will come from increasing efficiency and more than three-quarters will come from reducing military capabilities.

Further, it is unclear whether these proposed savings would result from eliminating actual or fictitious inefficiencies. For example, the secretary proposes to achieve savings by reducing contract services, but it is unclear why using public employees rather than contractors to perform these services would be more efficient. By any measure, the level of

inefficiency at the Department of Defense is less than what President Obama would like the American people to believe.

Fact #2: The proposed budget would shrink the defense budget, not just slow the rate of growth.

In a speech on the new defense strategic review on January 5, 2012, President Obama stated: “Over the next 10 years, the growth in the defense budget will slow, but the fact of the matter is this: It will still grow, because we have global

responsibilities that demand our leadership.”⁸

This assertion is factually incorrect. According to the Office of Management and Budget (OMB), the total national defense budget, including funding for overseas contingency operations (OCO), was \$721.3 billion in budget authority for FY 2010.⁹ The Administration’s proposal for the same 050 budget function is \$647.4 billion in current dollars (not adjusted for inflation) for FY 2013 and \$566.3 billion for FY 2014.¹⁰ In fact, the defense budget proposal would not return to FY 2010 spending levels for the entirety of the 10-year projection.¹¹ The Administration’s defense budget front-loads the reductions into the first five years (FY 2011–FY 2014). Only then would the defense budget be permitted to grow slowly, starting from this low point thereafter and only in terms of current dollars. (See Chart 1.)

Including OCO expenditures in this comparison is appropriate because existing historical descriptions of defense expenditures have included them. Including them therefore permits direct comparisons. Further, excluding OCO expenditures in this comparison would, for the sake of consistency, require excluding them from comparisons elsewhere in this paper regarding the structure of the overall federal budget. In these other instances, it would be inappropriate to exclude OCO from the broader defense account.

8. Barack Obama, “Remarks by the President on the Defense Strategic Review,” The White House, January 5, 2012, at <http://www.whitehouse.gov/the-press-office/2012/01/05/remarks-president-defense-strategic-review> (February 6, 2012).

9. U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013: Historical Tables* (Washington, D.C.: U.S. Government Printing Office, 2012), p. 103, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/hist.pdf> (February 14, 2012).

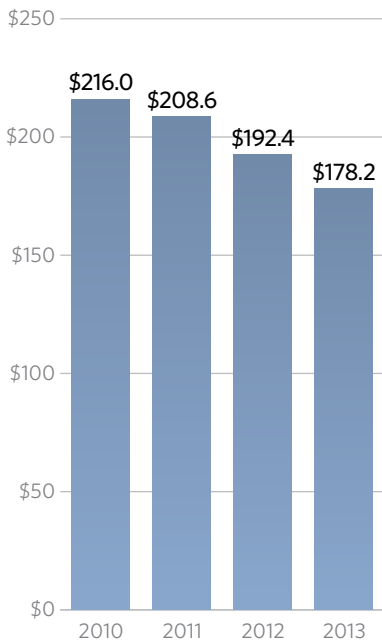
10. *Ibid.*

11. U.S. Office of Management and Budget, supplemental materials for *Budget of the United States Government, Fiscal Year 2013: Analytical Perspectives* (Washington, D.C.: U.S. Government Printing Office, 2012), February 13, 2012, Table 32-1, at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/32_1.pdf (February 14, 2012).

CHART 2

Modernization Funding Is Declining

BILLIONS OF DOLLARS
(BUDGET AUTHORITY)



Source: Heritage Foundation calculations based on data from Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013*, February 13, 2012, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf> (February 13, 2012).

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Fact #3: The budget drove the defense strategic review, not the other way around.

President Obama would like the American people to believe that the defense strategic review, which was undertaken to determine the optimal means for defending the vital national interests of the United States, and

his proposed defense budget followed from the findings of this review. In the cover letter accompanying the review, the President wrote: “I therefore directed this review to identify our strategic interests and guide our defense priorities and spending over the coming decade.”¹²

Unhappily for the President, the calendar refutes his assertion about strategy driving the defense budget. His proposed budget reductions match the spending caps in the Budget Control Act of 2011, which he signed into law on August 2, 2011. The defense strategic review was not released until January 5, 2012, some five months later. By his reckoning, it is pure coincidence that the defense strategic review determined that the optimal means to provide for the national security require a defense budget that matches the spending caps in the Budget Control Act and that the earlier enactment of that law had no influence on the review process.

While the Administration will likely repeat this misrepresentation about the defense budget and the spending caps in the Budget Control Act in the coming months, the sequestration process established by the same act will impose much lower levels of defense spending. The President has made it clear that he will veto any bill that would eliminate or alter the sequestration process. Undoubtedly, the President will attempt to explain how the strategy outlined in the review can still be executed under these much lower levels of defense spending.

Fact #4: The proposed defense budget is inadequate to preserve the U.S. lead in weapons technology.

President Obama has stated that he supports sustaining the U.S. lead in weapons technology. Specifically, in his cover letter to the defense strategic review, he stated: “In particular, we will continue to invest in the capabilities critical to future success, including intelligence, surveillance, and reconnaissance; counterterrorism; countering weapons of mass destruction; operating in anti-access environments; and prevailing in all domains, including cyber.”¹³

The problem is that the President’s budget does not provide the resources to preserve the overwhelming U.S. technological lead in advanced weapons and equipment. In FY 2010, the Department of Defense provided \$216 billion in budget authority to the modernization accounts, compared with just \$178.2 billion proposed for FY 2013. This is an almost \$38 billion (17 percent) reduction in the budget authority in just three years without accounting for inflation. (See Chart 2.)

Programmatically, the Administration’s defense budget curtails advancements in a number of weapons systems. It would slow the acquisition of the F-35 Joint Strike Fighter aircraft, the Army Ground Combat Vehicle, and a system for defending against land-attack cruise missiles. It reduces the Joint Air-to-Ground Munition program, and it delays the Army’s helicopter modernization program. It terminates

12. U.S. Department of Defense, “Sustaining U.S. Global Leadership.”

13. *Ibid.*

the Global Hawk Block 30 and the Defense Weather Satellite System. Finally, the budget also delays a large-deck amphibious ship, a new *Virginia*-class submarine, and a helicopter modernization program by three to five years.

In addition, the Administration has consistently been unenthusiastic about other programs that have continued to receive inadequate support. These include the Airborne Laser program, the development of a new Navy cruiser, space-based missile defense interceptors, ground-based missile defense interceptors for countering long-range missiles, anti-satellite systems, and the combat search and rescue helicopter.

Fact #5: The proposed budget will lead to a military force that is too small.

In asserting that the size and structure of the U.S. military force of the future will be driven by strategy and not budget considerations, President Obama wants the American people to believe that the military will not become too small under his policies. Specifically, he said: “That’s why I called for this comprehensive defense review—to clarify our strategic interests in a fast-changing world, and to guide our defense priorities and spending over the coming decade—because the *size and the structure* of our military and defense budgets have to be driven

by a strategy, not the other way around.”¹⁴

In fact, the President’s defense budget is significantly reducing the military’s personnel levels and force structure. On the personnel side, the active Army would decline to 490,000 soldiers, down from the current 562,000—a reduction of 72,000 (13 percent). Similarly, the active Marine Corps would decline to 182,000 persons from the current 202,000—a reduction of 20,000 (10 percent).¹⁵

These personnel reductions will result in an active Army and Marine Corps that are simply too small to meet the full range of military responsibilities assigned to them under a policy and strategy that assume the continuation of existing national and international security commitments. For example, U.S. military forces “will no longer be sized to conduct large-scale, prolonged stability operations.”¹⁶ Accordingly, U.S. policy assumes that the nation will never again need to undertake a “surge” of the sort that turned the tide in Iraq. Likewise, the smaller ground forces raise questions about the military being able to sustain two combat operations of significant size that overlap. The Department of Defense describes the residual capability in its January 26, 2012, budget preview document only as denying enemy objectives or imposing unacceptable costs, not as being

able to prevail in the second operation.¹⁷ This language is reminiscent of Secretary of Defense Les Aspin’s ill-fated “win-hold-win” proposal during the Clinton Administration. Yet in this case, the department is not even bothering with the pretension of promising the later win. Budget considerations are the only plausible explanation for the loss of these vital capabilities.

However, the reductions are not limited to personnel. The force structure would also shrink. The President’s proposed budget would:

- Eliminate eight brigade combat teams in the Army;
- Eliminate six Air Force tactical fighter squadrons and one training squadron;
- Reduce airlift by 130 airlift aircraft (C-5As, C-130s, and C-27s); and
- Retire nine ships from the Navy and slow the acquisition of new ships, leaving in doubt the Navy’s ability to meet its target fleet of 313 ships.

These force structure cuts raise questions about whether the U.S. military could meet essential security commitments to Europe and an expanded commitment under the Administration’s new strategy for

14. Obama, “Remarks by the President on the Defense Strategic Review” (emphasis added).

15. Panetta, “Major Budget Decisions Briefing from the Pentagon.”

16. U.S. Department of Defense, “Sustaining U.S. Global Leadership,” p. 6.

17. U.S. Department of Defense, “Defense Budget Priorities and Choices,” January 2012, p. 7, at http://www.defense.gov/news/Defense_Budget_Priorities.pdf (February 8, 2012).

the Asia-Pacific region. In particular, Chairman of the House Seapower Subcommittee Todd Akin (R-MO) has raised serious questions about the wisdom of the Administration's decision to delay the construction of new ships for the Navy.¹⁸

Fact # 6: President Obama is abandoning his commitments to sustain a robust U.S. nuclear deterrent.

President Obama made a slew of commitments to the Senate during its debate on the New Strategic Arms Reduction Treaty (New START) with Russia. The most important of these were enshrined in presidential certifications signed by President Obama, which were required by the Senate's resolution of ratification to New START.

One presidential certification states: "I intend to (a) modernize or replace the triad of strategic nuclear delivery systems: a heavy bomber and air-launched cruise missile, an ICBM [intercontinental ballistic missile], a nuclear-powered ballistic missile submarine (SSBN) and SLBM [submarine-launched ballistic missile]; and (b) maintain the United States rocket motor industrial base."¹⁹

A preview of the defense budget provided by Secretary Panetta on January 26, 2012, revealed that the

Department of Defense will delay acquisition of the new submarine.²⁰ Despite assurances to the contrary, this delay could be an initial step in walking away from the submarine acquisition program altogether and a future initiative to build a new SLBM.

A second certification states: "I intend to (a) accelerate, to the extent possible, the design and engineering phase of the Chemistry and Metallurgy Research and Replacement (CMRR) building and the Uranium Processing Facility (UPF); and (b) request full funding, including on a multi-year basis as appropriate, for the CMRR building and the UPF upon completion of the design and engineering phase for such facilities."²¹

When the Senate gave its advice and consent to New START, it expected President Obama to honor his own certification. Yet the Administration proposes deferring the construction of the CMRR for at least five years and cutting the funding by 83 percent in FY 2013 compared with the FY 2012 enacted level. The Senate's consent to the ratification of New START was contingent upon preserving a critical capability at the CMRR. Since President Obama is ignoring his own certification and effectively abandoning what the certification acknowledged is a critical part of the U.S. nuclear weapons

infrastructure, the Senate should respond by insisting on U.S. withdrawal from New START.

Finally, President Obama's budget policies call into question his entire commitment to the nuclear weapons enterprise. During Senate consideration of New START, President Obama pledged to provide the National Nuclear Security Administration with \$7.9 billion for nuclear infrastructure modernization in FY 2013.²² The current defense budget proposes providing just \$7.6 billion for the same accounts in FY 2013.²³

PRESIDENT OBAMA'S BUDGET POLICIES CALL INTO QUESTION HIS ENTIRE COMMITMENT TO THE NUCLEAR WEAPONS ENTERPRISE.

Finally, the other shoe on the question of nuclear modernization has yet to drop. Deputy Secretary of Defense Ashton Carter made this clear during a January 26, 2011, press conference previewing the defense budget proposal. In response to a question, he stated:

The White House—and we're obviously working under their direction—are considering the size and shape of the nuclear arsenal in the future. So when

18. "Asia-Pacific Strategy Exposes Navy Shipbuilding Plan to Criticism," *Defense Daily International*, February 3, 2012, at <http://www.defensedaily.com/publications/ddi/16635.html> (February 8, 2012).

19. Barack Obama, "Message from the President on the New START Treaty," The White House, February 2, 2011, at <http://www.whitehouse.gov/the-press-office/2011/02/02/message-president-new-start-treaty-0> (February 9, 2012).

20. U.S. Department of Defense, "Defense Budget Priorities and Choices," p. 8.

21. Obama, "Message from the President on the New START Treaty."

22. The White House, "Fact Sheet: An Enduring Commitment to the U.S. Nuclear Deterrent," November 17, 2010, at <http://www.whitehouse.gov/the-press-office/2010/11/17/fact-sheet-enduring-commitment-us-nuclear-deterrent> (February 14, 2012).

23. U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013*, p. 104.

those decisions come, we'll factor them into our budget.²⁴

Carter's statement virtually admitted that the White House is directing changes in the nation's nuclear posture to advance President Obama's cherished cause of U.S. nuclear disarmament. Accordingly, the current defense budget proposal excludes impending cuts in that portion of the budget pertaining to the nuclear weapons program. It is now clear that the scope of these cuts is quite large. The Obama Administration is looking at a force of as few as 300 to 400 warheads.²⁵

In addition, Administration supporters in Congress have already introduced a bill to cut the nuclear weapons budget by \$100 billion for 10 years.²⁶ It is hard to imagine that this legislation would have been introduced unless the Obama Administration, at a minimum, sees it as an effective stalking horse for the forthcoming proposal to which Deputy Secretary Carter alluded.

Insufficient Compensation for Military Personnel

President Obama is perhaps most fervent in saying that his policy will provide properly for the nation's military service personnel. On several occasions he has spoken on this issue. In his cover letter to the January 2012 defense strategic review, he wrote: "Most importantly, we will keep faith with our troops, military families and veterans who have

borne the burden of a decade of war and who make our military the best in the world."²⁷

There is little reason to doubt that President Obama sincerely wants to stand by the men and women in uniform. Nevertheless, Congress and the public need to examine the DOD's proposal to limit future pay raises beginning in 2015, increase fees and co-payments for health coverage for retirees, and appoint a commission to review the structure of the military retirement system for ways to reduce costs.²⁸

Regarding cash compensation, the Administration is wrong to move to limit future pay increases because overall military compensation is already weighted heavily in favor of benefits over cash compensation compared with civilian and private-sector compensation.²⁹ If anything, military service members should receive more generous pay raises to restore balance in the overall compensation structure.

Neither the President nor the DOD deserves criticism for exploring options to address the rapidly growing cost of military health coverage and retirement under the defense budget. While this cost growth serves as a warning against cutting the overall defense budget—which the President is ignoring—examining the issue is entirely appropriate. However, the President and DOD leaders' proposal to preserve the existing top-down, one-size-fits-all, and overly socialized structures for

military health coverage and retirement is misguided.

On health care, the President and his Administration seem to be wearing blinders while trying to reform the system. Military service members and their families already suffer under a system that contains the worst attributes of the new health care law that the Administration is imposing on the entire country. The driving philosophy behind these policies is the belief that the American people, including service members, are incapable of making decisions about their own health care and that government can and should make these decisions for them and should preclude any other practical options. This top-down approach has led the Department of Defense to embrace a proposal that would impose higher fees and co-payments on retirees, without options that would allow service members and their dependents to explore alternatives that would better meet their needs. Essentially, this would mean "less of the same" and "all pain and no gain" for current and future military retirees.

On the retirement side, the proposed commission's mandate would limit it to tinkering around the edges of the existing system to limit future cost growth. Making marginal changes to existing systems of military health coverage and retirement is not the way to stand by the men and women in uniform. Instead, the Administration should systemically reform both health coverage and

24. U.S. Department of Defense, "Major Budget Decisions Briefing at the Pentagon," January 26, 2012, at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4963> (February 9, 2012).

25. Bill Gertz, "Nuking Our Nukes," *The Washington Free Beacon*, February 14, 2012, at <http://freebeacon.com/nuking-our-nukes/> (February 16, 2012).

26. News release, "Markey Introduces SANE Act to Cut Bloated Nuclear Weapons Budget," Office of U.S. Representative Ed Markey, February 8, 2012, at <http://markey.house.gov/press-release/markey-introduces-sane-act-cut-bloated-nuclear-weapons-budget> (February 9, 2012).

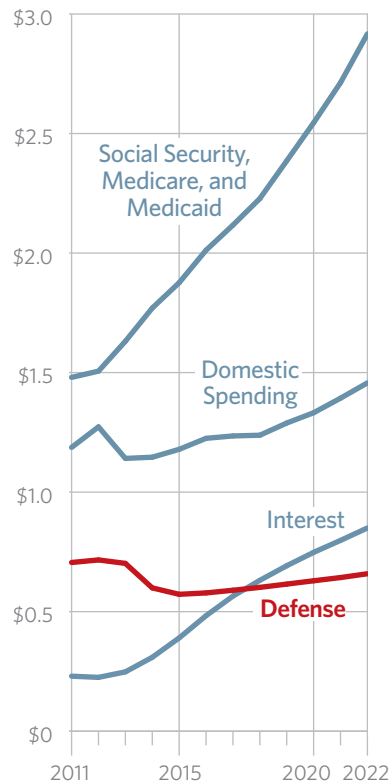
27. U.S. Department of Defense, "Sustaining U.S. Global Leadership."

28. U.S. Department of Defense, "Major Budget Decisions Briefing from the Pentagon."

CHART 3

Obama Budget Would Make Defense the Lowest Budget Priority

OUTLAYS IN TRILLIONS OF DOLLARS



Source: Heritage Foundation calculations based on data from Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2013*, February 13, 2012, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf> (February 13, 2012).

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retirement in a way that dramatically expands the options available to military service members and their families.

Misleading Congress and the American People About Defense

The Obama Administration’s description of defense within its FY 2013 budget proposal is about appearances. It is a phantom proposal that pretends that defense is a major contributor to the federal government’s enormous deficits and debt. It falsely asserts that preserving defense funding will require tax increases. It moves to sequester part of the defense budget, while denying that it supports this step. It manipulates the defense budget baseline to maximize defense spending reductions. In sum, it takes these and other steps while trying to hide their harm to national security from the American people.

Defense Spending and the Federal Deficit and Debt. In his 2010 State of the Union Address, President Obama stated:

By the time I took office, we had a one-year deficit of over \$1 trillion and projected deficits of \$8 trillion over the next decade. Most of this was the result of *not paying for two wars*, two tax cuts, and an expensive prescription drug program.³⁰

In fact, defense spending, including paying for the two wars, is a relatively small share of the overall federal budget. Defense has been a lower share of overall federal spending in every year since FY 1992.³¹ Indeed, under Obama Administration budget policies, defense will become the lowest priority among the major categories of spending in the federal budget. (See Chart 3.) Shortly before he left office, even Secretary of Defense Robert Gates challenged President Obama’s assertion that defense is a major contributor to the deficit: “For starters, I have long believed—and I still do—that the defense budget, however large it may be, is not the cause of this country’s fiscal woes.”³²

The President’s False Assertion About Defense and Raising Taxes. In his 2012 State of the Union Address, the President stated:

Do we want to keep these tax cuts for the wealthiest Americans? Or do we want to keep our investments in everything else—like education and medical research; *a strong military* and care for our veterans? Because if we’re serious about paying down our debt, we can’t do both.³³

Since the conclusion of the “deficit deal” that produced the Budget Control Act, the Obama

29. Congressional Budget Office, “Evaluating Military Compensation,” June 2007, p. 32, at <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/82xx/doc8271/06-29-compensation.pdf> (February 23, 2012).

30. Barack Obama, “Remarks by the President in the State of the Union Address,” The White House, January 27, 2010, at <http://www.whitehouse.gov/photos-and-video/video/2010-state-union-address> (February 13, 2012) (emphasis added).

31. Baker Spring, “The FY 2012 Defense Budget Proposal: Looking for Cuts in All the Wrong Places,” Heritage Foundation *Backgrounder* No. 2541, April 5, 2011, at <http://www.heritage.org/research/reports/2011/04/the-fy-2012-defense-budget-proposal-looking-for-cuts-in-all-the-wrong-places> (February 13, 2012).

32. Robert M. Gates, speech at the American Enterprise Institute, Washington, D.C., May 24, 2011, at <http://www.defense.gov/speeches/speech.aspx?speechid=1570> (February 15, 2012).

33. Barack Obama, “Remarks by the President in the State of the Union Address,” January 24, 2012, at <http://www.whitehouse.gov/the-press-office/2012/01/24/remarks-president-state-union-address> (January 25, 2012) (emphasis added).

Administration has used the defense budget as a political battering ram to force Congress into raising taxes. While this may be a useful tactic for the Administration, maintaining an adequate defense does not require raising taxes. As pointed out earlier, the Administration's budget policies will make defense the lowest priority among the major components of the federal budget. In contrast, the Heritage Foundation's *Saving the American Dream* fiscal plan achieves a balanced budget in 10 years, while simultaneously keeping tax rates low under a flat tax structure and providing significantly more money for defense over the same period than even the President's FY 2012 defense request.³⁴ The FY 2012 request preceded the President's April announcement of a revised and reduced defense request and the imposition of the spending caps in the Budget Control Act in the summer.

The Administration's Policy to Support Sequestration. The sequestration provision of the Budget Control Act could impose additional defense budget reductions of \$500 billion or more over the next nine years. Administration officials have asserted that Administration policy does not support the sequestration of the defense budget under the Budget Control Act. However, the President's words and actions contradict these assertions.

In a blog post on August 4, 2011, OMB Director Jack Lew stated: "Make no mistake: the sequester

is not meant to be policy."³⁵ Lew's statement was not just about appearances, but a statement designed to fool the American people between enactment of the Budget Control Act and the beginning of sequestration in January 2013 into believing that President Obama does not favor such a draconian reduction of the defense budget and that sequestration will not happen. In fact, President Obama adopted a policy of not funding defense in excess of the sequestration level the moment he signed the Budget Control Act. The Budget Control Act is the law of the land. It, more than anything else, governs policy, and the President's defense budget is an initial step toward capping defense spending at the sequestration level.

DURING A WHITE HOUSE APPEARANCE ON NOVEMBER 21, 2011, PRESIDENT OBAMA STATED: "I WILL VETO ANY EFFORT TO GET RID OF THOSE AUTOMATIC SPENDING CUTS TO DOMESTIC AND DEFENSE SPENDING."

The Joint Committee's failure to adopt an alternative deficit reduction plan means that the sequestration of the defense budget will happen if things remain as they stand now. The only way to avoid sequestration is to overturn the Budget Control Act, and the President is precluding that option. During a White House appearance on November 21, 2011,

President Obama stated: "I will veto any effort to get rid of those automatic spending cuts to domestic and defense spending."³⁶

The President's Defense Reductions Are Not About Reducing the Deficit. In the past, President Obama has sought to convince the American people that his proposed limits on the defense budget are to reduce the deficit and address the nation's debt crisis. However, he has since changed his tune and is now pointing to new domestic spending. In his statement accompanying the new defense strategic review, he stated:

At the same time, we must put our fiscal house in order here at home and renew our long-term economic strength. To that end, the Budget Control Act of 2011 mandates reductions in federal spending, including defense spending.³⁷

The earlier assertion about defense spending reductions contributing to deficit reduction is now revealed to be misleading. President Obama admitted in his 2012 State of the Union address that he plans to use at least a portion of the defense budget reductions to increase spending on construction projects that in essence constitute yet another stimulus package. Specifically, he said during the speech: "Take the money we're no longer spending at war, use half of it to pay down our debt, and use the rest to do

34. Butler et al., *Saving the American Dream*.

35. Jack Lew, "Security Spending in the Deficit Agreement," U.S. Office of Management and Budget, August 4, 2011, at <http://www.whitehouse.gov/blog/2011/08/04/security-spending-deficit-agreement> (January 24, 2012).

36. Barack Obama, "Statement by the President on the Supercommittee," The White House, November 21, 2011, at <http://www.whitehouse.gov/the-press-office/2011/11/21/statement-president-supercommittee> (January 24, 2012).

37. U.S. Department of Defense, "Sustaining U.S. Global Leadership," p. 1.

some nation-building right here at home.”³⁸

Even more damaging, the President’s budget proposal demonstrates that he has no intention to curtail the rate of growth of the major entitlements—Social Security, Medicare, and Medicaid—to any significant degree. (See Chart 3.) The proposal reveals that outlays for these entitlement programs will increase by more than 90 percent over current levels by FY 2022.

Manipulating the Defense

Baseline. President Obama is manipulating the tool for comparing defense “cuts” in the budget to refute accurate charges that his budget policies are damaging national security. This tool is called the “baseline,” which projects the cost of today’s defense program into the future. The President wants the power to define this baseline at whim so that he can assert that he is reducing the deficit when he wants to appear to the public as a deficit hawk and later assert that he is not cutting the defense budget when he wants to appear as a national security hawk.

This is how the manipulation works. When President Obama wants to assert that he is a deficit hawk, he projects a high baseline and then claims he is making large-scale cuts in the defense budget to reduce the deficit. By themselves these assertions would be accurate, except as noted earlier, he plans to use these savings to increase domestic spending, not to cut the deficit. When he wants to appear as a national security hawk, he implies that his own, much lower defense budget request is the baseline and that he has imposed

no reductions whatsoever on the defense program.

In one extraordinary statement at a press conference on June 29, 2011, the President attempted to apply this manipulation in both directions simultaneously: “And I promise you the preference of the Pentagon would [be] not to cut any more, because they feel like they’ve already given.”³⁹ In keeping with his desire to appear as a deficit hawk, the President tried to convey the message that he planned to “cut” the defense budget below an undefined baseline. It is implicit, but nevertheless clear in this same statement that he rejected the assertion by Pentagon officials that the defense program had already been cut in his earlier budget submissions, including his original FY 2012 budget request of February 2011 and his revised and lower defense budget request of April 2011. Silly them, they expected the President to honestly use a fixed defense budget baseline when comparing his budget submissions. What the President was describing in this press conference was his assertion to these same officials that their acceptance of his budget submissions, including any revisions, did not constitute defense budget cuts at all because his budget proposal, which he may revise at any time, is the starting point or the baseline for calculating cuts to the defense budget.

This manipulation, more than anything else, is what makes President Obama’s recent defense budget submission a phantom proposal. It is all about illusions, smoke and mirrors, and hiding essential facts from the public. The facts are

that he is neither a deficit hawk nor a national security hawk. He is not a national security hawk precisely because he intends to impose the low defense spending caps. He is not a deficit hawk because he plans to use the savings from the defense cuts to increase spending on domestic programs.

What Congress Should Do

Under Obama Administration budget policies, the nation is facing a crisis in sustaining both an effective defense program and its broader national security policy. The consensus behind the existing foreign policy has been strong and has endured since the end of World War II. The policy has encompassed the requirements for meeting the defense needs of the American people and defending vital U.S. interests around the world. Defending vital U.S. interests has included preventing hostile powers from dominating East Asia, Europe, or the Persian Gulf and providing the security foundation to bolster global trade and access to resources.

Both Congress and the American people would reject the proposition that, for example, the U.S. should no longer view a hostile power that dominates the Persian Gulf as a challenge to vital U.S. interests. Likewise, a proposal for the U.S. to abandon its “second to none” policy on nuclear posture would not be popular. Finally, there is little doubt that the American people would reject the assertion that the Department of Defense need make only a half-hearted effort in fielding missile defense capabilities to protect them

38. Obama, “Remarks by the President in the State of the Union Address,” January 25, 2012.

39. Obama, “Press Conference by the President.”

against missile attack. These are just three examples and the list of similar propositions is potentially quite long. Nevertheless, President Obama's defense budget is more consistent with such dubious propositions than the currently accepted tenets of U.S. national security policy.

Accordingly, Congress cannot afford to stand idly by and watch the erosion of the military capabilities that sustain its foreign policy. Instead, Congress needs to undertake a combination of short-term and long-term actions to maintain a strong national defense. These include:

- Deferring sequestration of defense spending,
- Replacing the Budget Control Act,
- Maintaining the size of the military,
- Increasing modernization funding,
- Reforming the military compensation system, and
- Reducing inefficiency in the Defense Department and reinvesting the savings in defense.

Deferring Sequestration of Defense Spending. The most glaring threat to the nation's defense posture is the sequestration process under the Budget Control Act. Under the sequestration process, the existing spending caps will be lowered further, imposing \$500 billion

or more in additional cumulative defense spending reductions over the next nine years. Even Secretary Panetta, who otherwise supports President Obama's budget policies, acknowledges this would be a disaster for defense. In a November 14, 2011, letter to Senator John McCain (R-AZ), he wrote, "The impacts of these [sequestration] cuts would be devastating for the Department [of Defense]."⁴⁰

Under the Budget Control Act, sequestration will begin in January 2013 unless the congressional joint committee (the "supercommittee") finds alternative deficit reduction measures. This joint committee acknowledged that it failed to find such alternatives in late 2011. Thus, unless the law is changed to defer or repeal sequestration, the cuts will begin on schedule.

While repealing sequestration entirely would be preferable given the urgency of the matter, the most practical approach would be to defer it for FY 2013. Two such bills have been introduced: H.R. 3662, sponsored by Chairman of the House Armed Services Committee Buck McKeon (R-CA), and S. 2065, sponsored by Senator Jon Kyl (R-AZ). Both bills would defer the sequestration process by one year by offering an alternative means of deficit reduction based on reining in spending on the federal civilian workforce.

Replacing the Budget Control Act. Deferring the sequestration process under the Budget Control Act is only an immediate step to prevent irreparable damage to the nation's defense. If allowed to take effect, the

provisions of the Budget Control Act, including the sequestration process, will damage defense. Congress needs to replace this law with an alternative fiscal plan, namely the Heritage Foundation's *Saving the American Dream* plan. Under the Heritage plan, the nation would not only be able to maintain a strong defense, but also balance the budget in 10 years, while keeping taxes low and total federal spending within reasonable limits. While many approaches could be taken in order to translate the Heritage plan into law, it must first eclipse the Budget Control Act.

Maintaining the Size of the Military. As described earlier, the Defense Department is already proposing a number of steps to shrink the military. These include reducing both force structure and personnel levels, particularly in the Army and the Marine Corps.

As a first step,⁴¹ future defense authorization and appropriations measures should seek to preserve the current force structure and personnel levels, including maintaining:

- An active Army of 562,000 persons;
- An active Marine Corps of 202,000 persons;
- An Air Force of 510,900 persons;
- 45 Army Brigade Combat Teams;
- 60 Air Force tactical fighter squadrons and the training squadron that the Pentagon plans to jettison;

40. Leon Panetta, letter to Senator John McCain, November 14, 2011, at http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=a4074315-fd3e-2e65-2330-62b95da3b0e9 (February 10, 2012).

41. For The Heritage Foundation's recommendation on the total force structure for the long term, see The Heritage Foundation, "A Strong National Defense," pp. 25-26.

- A fleet of 316 airlift aircraft by building new C-17s and C-27s as C-5As and C-130s are retired; and
- An interim strategic nuclear force of at least 420 ICBMs, 280 SLBMs, and 65 nuclear-coded strategic bombers.

In addition, Congress should:

- Rapidly achieve the Navy's objective fleet of 313 ships, while maintaining a balanced mix of ships, and
- Increase the number of ground-based midcourse missile defense interceptors fielded on U.S. territory from 30 to 44 and the number of Standard Missile 3 (SM-3) missile defense interceptors deployed on ships to 341.

Increasing Modernization Funding. The Administration's military modernization funding request of \$178.2 billion for FY 2013 is simply inadequate. Congress should immediately preempt this proposed reduction. Specifically, Congress should propose an alternative that would restore budget authority for research and development (R&D) to \$80 billion, the level for FY 2010. Furthermore, FY 2013 budget authority should maintain roughly the 1.5 ratio between procurement and R&D in the Administration's proposal. This ratio would permit procurement to be funded at levels that allow efficient absorption of the technologies generated by research and development. Given the

proposed \$80 billion in R&D budget authority, procurement should be funded at \$120 billion.

Beyond FY 2013, R&D funding should increase somewhat faster than inflation, and procurement should increase even faster until the procurement/R&D ratio is about 1.7 to build a larger force than what the Administration is proposing over the next five years and beyond.

Reforming the Military Compensation System. The Department of Defense is wrong to propose scaling back future pay increases to military service members. While the Department of Defense needs to explore options for reforming the health coverage and retirement system, such options should expand the choices available to service members and their families.

The Department of Defense should examine systemic proposals for reforming the entire military compensation system. For example, the Heritage Foundation has recommended a combination of steps that selectively increases military pay while providing service members and their families with defined-contribution plans for health coverage and retirement. This approach is designed to bring service members and their families eventually under the broader health coverage and retirement proposals contained in the *Saving the American Dream* fiscal plan.⁴²

Reducing Inefficiency in the Defense Department and Reinvesting the Savings in Defense. The American taxpayers

expect the Department of Defense to make every effort to eliminate waste and inefficiency. While the scope of waste and inefficiency is likely smaller than they perceive, it is there and can be reduced.

The question remains what to do with the savings from reducing waste and inefficiency. The proper answer is to reinvest these savings in the defense program to improve U.S. military capabilities. President Obama, however, wants to use defense savings to fund domestic spending programs that are at least as inefficient as the defense programs that would be reformed or eliminated to obtain the savings.

Conclusion

The Preamble of the Constitution states that providing for the common defense is among the highest priorities of the federal government. Obama Administration budget policy seeks to make it the lowest priority. The Preamble also directs the federal government to "secure the Blessings of Liberty." Since the end of World War II, U.S. leaders have recognized that sustaining American liberty is all but impossible if America is an island of liberty in a world dominated by aggressive authoritarian and totalitarian nations. Accordingly, after the unhappy experiences of the first half of the 20th century, the U.S. has sought to expand security and liberty around the world by establishing a system of alliances in key regions and backing this system with an array of security commitments.

In sharp contrast, the Obama Administration's budget policies are

42. Baker Spring, "Saving the American Dream: Improving Health Care and Retirement for Military Service Members and Their Families," Heritage Foundation Backgrounder No. 2621, November 17, 2011, at <http://www.heritage.org/research/reports/2011/11/saving-the-american-dream-improving-health-care-and-retirement-for-military-service-members>.

reducing America's military capacity so drastically that upholding these commitments will become impossible over time. A conservative Congress, which as the name implies should focus on preserving essential American values, institutions, and commitments, would necessarily reject the Obama Administration's defense budget proposal.

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