

# ISSUE BRIEF

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## How the Pentagon Can Be Best Buy

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The U.S. Armed Forces are caught between a President who is intent on substantial cuts in investing in defense capabilities and a Congress increasingly intolerant with wasteful spending on defense—all while being saddled with both following a Rube Goldberg set of legislative mandates and having a nation to defend. In today’s topsy-turvy Washington, there is little that the military can do to run this gauntlet without getting bruised and beaten.

The only real relief is to adequately fund realistic defense requirements. On this point there is not much the military can do. The Pentagon cannot keep the President and Congress from playing politics with the budget, but it can adopt practices that make it harder for politicians to make military procurement the scapegoat for the bloated

federal budget by showing that the Armed Forces are good consumers.

**Defense Spending That Makes No Sense.** President Obama is not just slowing the growth of defense; he is cutting defense spending. Under the President’s plan, the level of investment in defense will not return to fiscal year 2010 spending levels for the entirety of the 10-year projection. That creates a real challenge for replacing equipment worn out by operations in Iraq and Afghanistan as aged systems that remain in the field long past their expected service life—as well as buying “next generation” systems that would ensure that the U.S. can best potential adversaries.

Acquisition—the process of developing and buying new systems—has been chronically under-funded for decades. The President’s proposal worsens the problem by calling for a reduction of almost \$38 billion (17 percent) in the budget for getting new capabilities in just three years—without accounting for inflation.

Conversely, both the proposals submitted by the House Budget Committee and the Republican Study Committee call for sustained levels of defense investment. Arguably, even these more robust

proposals would not be sufficient to make up for the prolonged post-Cold War “procurement holiday” imposed on the Pentagon. Nevertheless, they would stem the dangerous erosion in the capabilities that are needed to defend U.S. vital interests worldwide.

**How the Pentagon Can Help Itself.** It remains to be seen what Washington will spend to give the men and women of the U.S. military what they need to defend the nation. The military, however, does not have to wait to get its own act together.

The military can lay the groundwork for a renaissance in defense investment by creating trust and confidence to wisely use the resources allocated by Congress. Here are five steps that will help:

**1. Do not breach Nunn-McCurdy.**

Under the Nunn-McCurdy Act, major acquisition programs with significant cost overruns must be reported to Congress. A “Nunn-McCurdy breach” is a badge of shame that can trigger curbing or killing programs. The services should do everything possible to avoid the stigma of breach—no easy task today when breaches can be the result of dramatically cutting purchases (driving up per

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unit cost) as budgets are slashed rather than mismanagement of the program.

**2. Keep rapid acquisition.**

Maintaining a capacity to rapidly develop, field, utilize, and sustain systems to meet unexpected requirements is vital to addressing the concern that the military takes too long and spends too much to field anything. Rapid acquisition is not a replacement for formal acquisition programs; it is a necessary compliment.

**3. Keep life-cycle costs in mind.**

When the order comes to cut budgets, there is an overwhelming temptation to grab short-term savings that will impose massive long-term costs. For example, 80 percent of the cost of aviation systems is spent maintaining and using the aircraft. It is often cheaper to buy new, more expensive planes than to keep old planes flying.

**4. Fight for export control reform.** Export controls are meant to prevent sensitive

technologies from falling into the wrong hands. They are not supposed to put U.S. defense industries at a competitive disadvantage—but there are plenty of signs that this is exactly what is happening. Outdated controls weaken the U.S. defense industrial base and prevent robust cooperation with friendly and allied nations. It is in the military’s interest to champion the reform cause with the Administration and Congress.

**5. Adopt performance logistics.**

Saving money in fixing, maintaining, and supporting military systems is the most cost-effective means to free up dollars to invest in defense modernization. Performance-based logistics can increase the efficiency and lower the cost of the military’s logistical system through well-designed partnerships between government-run depots and private contractors, offering savings estimated at up to \$32 billion a year.

**Responsible Stewards.** There are other steps that Congress and the Administration could take to make

defense procurement more effective, including legislative reforms that allow the Pentagon to adopt auditing best practices, procurement reforms that allow the services to undertake efficiencies instead of just layering on bureaucracy, and passing an adequate defense budget on time.

The Pentagon, however, does not have to wait on the rest of Washington to get its act together. The Armed Forces can act now to show that they understand when the American people say that they want the government to provide for the common defense rather than be wastrels of defense.

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