

# National Security Budgeting



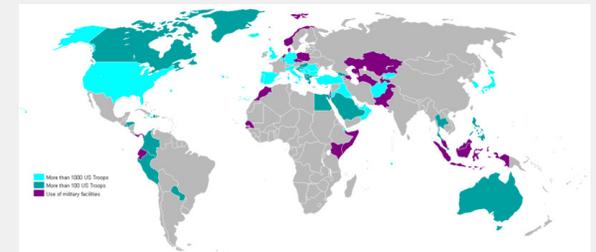
In today's budgetary climate, keeping America safe and strong requires spending to match our military strategy, not the other way around. Some military programs

need new funds; others should be modernized; others are outdated and should be cut. Many new threats, such as counter-proliferation and cybersecurity, defy military-only solutions. Ensuring security while keeping our economic house in order means investing in the people and programs we need to match 21st century threats. We must provide resources for the full global affairs toolkit—development, diplomacy, democracy, and defense—ensuring positive American leadership in a rapidly changing world.



## If you only read one thing Security Spending 101

- The threats to the U.S. are changing and new threats defy traditional tools.
- Strategic spending must match tools to threats.
- A strong, modern military is essential.
- We can cut some outdated defense programs without harming our security.
- Diplomacy and development are vastly cheaper than defense, prevent future conflicts, but are dramatically underfunded.
- Non-military security spending gives us a lot of bang for our buck.



**What should we do?** A 21st century security strategy must work for stability abroad to reduce conflict, create the tools to achieve victory quickly and decisively when force is necessary, and maintain American economic strength. Yet today, we underfund our most cost-effective approaches (diplomacy and development), treating essential non-military security tools as separate or disconnected. We have been funding current military programs halfheartedly through continuing resolutions in Congress, meaning we resource legacy programs when money might be better spent on newer and more relevant capabilities. This must change. To keep America strong, we need to first craft a national security strategy, and then budget accordingly. Smart investments require difficult choices about what must be resourced, what new technologies and programs must be funded, and what outdated programs ought to be cut.

## Key Issues

**Security in the 21st century is different than it was in the 20th.** The United States no longer faces one large, static enemy as we did in the Cold War. Today's threats are numerous, complicated, and spread all over the world. Our enemies often hide within civilian populations. Many threats—from terrorists to computer hackers—operate anonymously and across borders. We must be forward-thinking and adaptable so that we are not perpetually preparing for wars of the past, which drains our treasury and reduces our preparedness for emerging threats.

**To keep America safe today, we need a full array of security tools at our disposal.** International terrorism, energy security, pandemic diseases, security threats from climate change, cyber threats, the proliferation of weapons of mass destruction, and economic crises all directly challenge



A plot hatched in the poverty-stricken villages of Pakistan can threaten American security as much as a belligerent nation.



Development is not charity, it's strategy. It creates stability abroad and markets for U.S. businesses.

U.S. national security. These issues cannot be solved by the U.S. military alone. The military needs strong partners like Treasury Department officials who track terrorist financing, Homeland Security agencies that help private sector companies protect critical infrastructure, and Foreign Service officers who help emerging governments in fragile states stabilize and stand on their own.

**Development assistance and open trade create stability in fragile states and new markets for American businesses.** There are over 7 billion people in the world, and only 316 million Americans. Working with emerging economies to create new markets increases exports for U.S. businesses, creating jobs here at home. Economically healthy countries are less susceptible to political upheaval, social turmoil, and violent extremism. Open trade and investment can lead to increased economic opportunity and stability abroad and at home.

**Our budget does not match the threats we face.** We need a more strategic approach to budgeting. We currently spend too little on non-kinetic security tools. We also need a strong military that is ready for tomorrow's wars in a rapidly changing world and does not waste funds on outdated weapon systems. New threats require strong diplomacy, improved, shared intelligence, and development efforts to counter violent extremism and deal with emerging challenges. Non-kinetic security tools can be more cost effective since their goal is to prevent expensive armed conflicts. Smart spending that meets the threats we face today is essential.

## The Policy Landscape &



### What we can do

- **Stability:** We invest in development, diplomacy, and democracy to increase stability and prosperity and reduce spending on conflicts
- **Military and non-Military Weapons:** When force is needed, we must have the right arsenal of military power and non-military assets (like intelligence and sanctions personnel).
- **Economic strength:** We must ensure that security spending does not undermine U.S. economic strength, which drives all national power

# Recommendations

**Congress made the decision to cut defense spending when it passed Sequestration.** Sequestration reduces projected defense spending by \$500 billion over the next decade by simply cutting 10% of funding off of every program, with no consideration of strategic objectives. The Murray-Ryan budget deal passed in late 2013 intended to provide some relief for the next two years by pushing some of the cuts to later years, but Sequestration remains a poor mechanism for cutting defense spending, since it is indiscriminate and unstrategic. Defense Secretary Chuck Hagel has offered a plan that makes smart reforms that will modernize our armed forces while spending only the amount allocated under Sequestration. Now Congress must give the Pentagon the latitude to make these strategic spending choices.

**Cuts to defense spending are necessary, but such cuts must be strategic.** A sustainable federal budget is a critical part of our economic security, but America faces new threats, like terrorism or a global pandemic, for which many 20th century military tools are poorly suited. At the same time, battlefield technology is evolving so rapidly that a conventional war fought today would require many different tools and strategies than those that have protected us in the past. If we want to be prepared for all of these threats while maintaining the economic prowess that is critical to our national security, we must both modernize and reform our military.

**Some say that the solution to today's threats is more military spending.** Claiming that anything less than current spending rates would “hollow out” the U.S. military and compromise security is a popular

argument, but disconnects budget from strategy, leading to arbitrary spending decisions. Instead, we need a capabilities-oriented approach to military funding and leadership that can prioritize strategic needs for the 21st century.

### Strategic budgeting should increase development spending.

Some in Congress proposed cutting funds in half for the Department of State, USAID, and other international affairs efforts in order to reduce spending. These drastic cuts would substantially impair U.S. efforts to increase stability abroad and would threaten the safety of our diplomats and development professionals – while failing to make even a small dent in the U.S. budget. Development and diplomatic activities—which combined account for less than 1% of the federal budget—are under-resourced and, as a result, are not as impactful they might be. This leaves our military doing jobs that most servicemembers are not trained to do, but which we all recognize are vital to our national security—such as development projects designed to counter sources of instability and extremism in weak states.

**Nevertheless, international development assistance needs modernization.** Groups with vested interests in aid have grown and are protective of the current, inefficient structure. This is also wrong. In order to make sure development assistance is effective, we need a better system that allows more local purchasing, multi-year budgets that acknowledge the long-term nature of meaningful development assistance, greater budget discretion for personnel and overhead to exercise real oversight on the ground, and measurements that stress impact rather than output. We should look to innovations in the private sector and increase partnerships with the business community and NGOs with a demonstrated record of impactful work on the ground.



Foreign aid helped make America a world power in the 20th century: We rebuilt Europe, created new markets, and make friends around the globe.



### Common Error

Development funding is not writing a check to a foreign government. Much of our development money goes towards programs that make weak countries safer and more stable—things like training police to secure borders against arms traffickers and funding watchdog groups that protect the free press.

# 21st Century Spending Priorities

**Education and Workforce Training.** Attracting, training, and retaining the most capable people is essential for meeting 21st century challenges. America needs to invest in opportunities for people who can develop technologies, manage programs, and implement policies. We need to attract capable, service-oriented Americans instead of losing the best talent to the private sector.

**Research and development.** It is tempting to spend on the tools needed today and cut the accounts that identify the strategic investments of tomorrow. But these upfront costs create long-term savings in everything from new technologies in cybersecurity to energy efficiency. They also ensure that our force maintains a critical edge in lethality and survivability over potential enemies. We should increase, not reduce, strategic R&D spending—from directed energy weapons to biofuels.

Research and development funds also keep our brilliant scientists and engineers working on vital national security projects. Without R&D, funds we lose our intellectual capacity to build such complex systems – they get better offers in other industries with more stable funding and leave. Once we lose these engineers to other sectors, it's extremely costly and difficult to get them back if we ever need to build new systems or make improvements to existing technology.

**Procurement reform.** The current system misaligns incentives by rewarding the most expensive and lengthy projects with secondary consideration to utility. Instead we should incentivize companies and organizations under federal contract to do high-impact work on time



Our system rewards military contractors for being late and expensive rather than on-time and under budget.

and under budget, with mechanisms to adjust for unanticipated but necessary costs. Evolutionary acquisition, in which systems are developed and modernized in stages, greater investment in oversight, and smarter procurement will save money in the long run.

**Robust funding for diplomacy and development.** These are equal pillars of our national defense and should be funded as such. Our military deserves partners across government who are resourced to do their jobs well. Development agencies should be doing this crucial work, which the military has taken up out of necessity. And most conflicts require tough-nosed diplomacy to prevent or end – the job of a well-funded State Department. Development spending should go hand-in-hand with aid reform. Our foreign aid legislation was last overhauled in 1961. Updating aid would hurt some vested interests but would get more bang out of existing bucks while making aid more effective as a stabilizing effect. For instance, buying food aid locally rather than shipping it from the U.S. would save money and get aid to starving areas months faster than the current system.

**Support for democracy, especially in fragile or failing states.** In the past decade especially, war in the Middle East has cost thousands of American lives and trillions of dollars. We are now witnessing transitions in other vital regions in the world and should invest in the future of fragile countries. We should support legitimate, stable, democratic governments that create less erratic regimes, and spur economic growth. Spending now to assist in preventing state failure will save exponentially more in the future. Real change might be slow, and building relationships with citizens will take time. But dictatorships are more likely to fall apart with little warning and more uncertainty, as we have seen in the last several years. Long-term stability is worth the investment in democratic



The U.S. has more personnel in military bands than it has diplomats at the State Department.



Development ensures threats stay small and far away.

institutions. For example, failure to pass measures such as the Middle East and North Africa Incentive Fund is shortsighted: we will gain far more from creating stable democracies than these programs cost. Recall how a small investment in Germany and Japan after WWII created two of our strongest trading partners.

**Partner with foreign security forces.** When allies work alongside us in peacekeeping missions, we save American lives and money. Training other security forces allows other countries to have a greater stake in stability within their own region. When the U.S. military takes the lead on training, it ensures our partners have the capacity to establish domestic security while respecting human rights.

## Spending that Could be Cut

**The inflated nuclear arsenal.** With the Soviet Union long gone and 40 times as many nuclear weapons as China in America's arsenal, we can keep our nuclear strength and still cut a lot of fat. Maintenance and security of such a large arsenal is expensive and can be better spent on developing more strategic and relevant capabilities. According to the former Vice Chairman of the Joint Chiefs of Staff, General James Cartwright, our nuclear arsenal "carries the baggage of the Cold War" and "does not address the threats of the 21st century."

In the years immediately after the breakup of the Soviet Union, the United States and Russia worked together to simultaneously draw down our arsenals. Programs like Cooperative Threat Reduction successfully dismantled thousands of nuclear weapons, making the world a safer place,

and saving American tax payers billions of dollars. These efforts should be renewed and redoubled, because while reducing our nuclear stockpile is good for our security and our budget, we can't do it unilaterally.

**Weapons inventories that do not match today's threats.** For example, the U.S. Army maintains an inventory of roughly 6,000 battle tanks, even though we do not have the logistical capability to deploy and operate that many tanks, nor would any plausible scenario call for close to that number in conflict. We need to reduce Cold War era weapon stockpiles that are expensive to maintain and don't contribute to our security, and invest in systems that counter current threats instead. We should work with today's manufacturers to build weapons that meet tomorrow's threats – not maintain inflated numbers of legacy platforms.

**Reduce the size of the force—but strategically.** With the war in Iraq over and Afghanistan drawing to a close, the Pentagon has proposed a budget that meets the spending cap Congress imposed through sequestration. This budget changes the force back to a pre-war size and makes tough decisions to lower DoD costs. Those cuts let the DOD invest more in essential 21st century capabilities like cybersecurity and special operations, and avoid a “hollow force” in which structure is unchanged, but programs like training and maintenance are underfunded. Congress is responsible for setting the Pentagon's spending level, but our military and civilian defense experts must be allowed to design a budget that is guided by strategy rather than politics.

**Address healthcare costs – but with care.** Those who put their lives on the line for our country require good healthcare for life. But current health insurance costs have tripled since 2001 and now cost 10% of our total defense budget – and are projected to rise. To maintain a strong

force with the healthcare they deserve, we need to address healthcare costs for troops and veterans in a serious, comprehensive fashion.

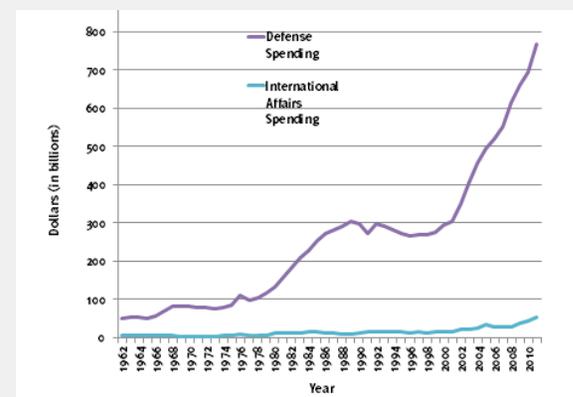
**Invest in updating technology when possible, instead of starting from scratch.** An example of this is the NATO missile defense system, designed to protect our European allies from external mid- to long-range missile threats. Instead of spending billions on a new missile interception system, known as SM-3 IIB, which would have used a technology that remains unproven and highly controversial, the Pentagon has decided to improve upon our existing missile interception systems, including our Ground Based Mid-Course Defense (GMD) and Aegis sea-based missile defense system. This will accomplish our strategic goal of protecting American and allied military assets in Europe from belligerent nations like Iran at a fraction of the cost and in a fraction of the time required to develop a new system. This is a procurement strategy that other DoD programs could benefit from adopting.

## Going Deep: Background & Context

**Defense spending has grown over 600% since the 1960s.** While we no longer face a singular existential military threat, as we did from the Soviet Union, defense spending (of which about 95% goes directly to the Department of Defense and 5% to other defense-related activities) has grown exponentially. We are spending more than we did in Vietnam, Korea, and during the height of the Cold War, but we are getting less bang for our buck. Defense spending exploded after 9/11, as the graph to the right shows. Meanwhile, international affairs spending has barely kept pace with inflation and is less than 1% of the budget.

Since 9/11, American assistance has become increasingly tied to a dysfunctional budget cycle, focused on immediate needs rather than long-term planning. The appropriations process on Capitol Hill is a one-year cycle, meaning program supporters need to show near-term progress in order to secure funding. However, effective, sustainable development and strategic R&D are long-term aspirations. The incentives to maximize benefits in the short term harm our long-term efforts.

Congress agrees that diplomacy and development are ‘security spending.’ Both parties agree that the international affairs budget should be a part of the ‘security spending’ category. Our military leaders feel the same way, as is clear from General Mattis’s blunt remark to the Senate Armed Services Committee in March 2013 that “if you don’t fund the State Department fully, then I need to buy more ammunition.” Secretary John Kerry used his first speech as Secretary of State to declare that, “deploying diplomats today is much cheaper than deploying troops tomorrow.” They are right; these programs are crucial to our efforts in the Middle East, Afghanistan, and other front-line states around the world.



Source: “The Budget for Fiscal Year 2012, Historical Tables,” OMB; includes spending for the wars in Iraq & Afghanistan