

An Assessment of the Proposed 2003 Defense Budget

Testimony before the U.S. Senate Budget Committee

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Mr. Chairman and members of the Committee, thank you for inviting me to comment on the Bush Administration's proposed defense budget for fiscal 2003. This morning, I want to briefly discuss three subjects: the size of the defense budget, the priorities it reflects, and its principal defect -- inadequate spending for procurement.

Concerning size, much has been made of the fact that at \$379 billion, the proposed budget for 2003 would roughly match the combined spending of the 15 next-biggest military powers. Just the proposed increase between 2002 and 2003 -- \$48 billion -- is as much as the entire military budget of Russia or China.

However, as a share of national wealth, the proposed budget is much lower than the norm over the last two generations -- despite the fact that we have embarked on a global campaign to counter terrorism. Between 1950 and the year 2000, defense spending averaged about 7% of gross domestic product annually. If GDP in 2003 surpasses \$11 trillion as expected, then the administration's defense budget would represent about 3.3% of the economy -- less than half the average of the last 50 years.

Of course, the economy has grown considerably during that period. But if we consider the overall scale of the economy today, the proposed level of defense spending is relatively modest. For example, it has been estimated that Americans devote 6% of GDP to gambling. At that rate, the Navy's proposed \$6 billion shipbuilding budget for 2003 would be about equal to what is spent on gambling each weekend.

Concerning priorities, the Bush Administration has added substantial funding to several areas of defense activity that it considered to be underfunded, most notably military pay and benefits, training, equipment maintenance, and scientific research. However, because the increases it proposes are spread across the entire defense budget, the priority assigned to major categories of activity has changed little since the Clinton years. In the year 2000, the Clinton Administration spent 26% of the defense budget on military personnel; Bush would spend 25% in 2003 and 26% in 2005. In 2000, the Clinton Administration spent 14% of the defense budget on research and development; Bush would spend the same percentage in 2003 and 15% in 2005. There is similar alignment across time in the shares allocated to procurement, and to operations and maintenance.

So while the Bush Administration would raise the buying power of the defense budget considerably higher in 2003 than what prevailed in the year 2000 -- in fact, by nearly a third -- the alignment of priorities within the budget has changed little. That is a very different situation from the fiscal 1978 defense budget that Secretary Rumsfeld proposed when he was last in charge of the Pentagon. The 1978 budget was designed to reverse the post-Vietnam malaise in military spending by raising Pentagon funding above \$100 billion for the first time in history.

But back then, Secretary Rumsfeld stressed the importance of allocating a disproportionate share of the increase to investment accounts, an emphasis that is not apparent in the 2003 budget.

While the Bush Administration has made much of its desire to "transform" the military by embracing technologies that enable new concepts of operation, its basic framework of ideas and programs for modernizing the military is similar to that of the Clinton Administration. Where it is different is in its willingness to allocate more money to all facets of military activity, which potentially accelerates the speed at which transformation can occur. Even with the increases it proposes, though, a combination of rising costs, political constraints, and new overseas commitments has diminished the latitude Mr. Rumsfeld and his team have for radical innovation.

Concerning defects, I think the administration's defense budget contains relatively few. It has corrected shortfalls in military pay and benefits, raised funding for readiness accounts, covered the Pentagon's share of the cost for the war on terrorism, and increased research and development funding for transformational technologies. The one area where the budget is deficient is procurement -- the replacement of aging weapons.

The Joint Chiefs of Staff estimate that \$105 billion in procurement funding is needed each year to prevent the existing force structure from shrinking or aging. The administration's proposed budget for 2003 only funds two-thirds of that amount, and thus assures that an increasingly decrepit arsenal will continue aging. The shortfall in procurement is not new: the Clinton years were the only period during the last half century when procurement spending was consistently less than 20% of the defense budget.

One consequence was that the average age of Air Force aircraft rose from 13 years in 1990 to 22 years today. The average Navy plane today, for the first time in history, is older than the average warship. Some Army and Marine helicopters have become so aged that they pose a danger to both the readiness and the safety of U.S. forces. I've attached a chart to my remarks showing that every category of Air Force aircraft except bombers has either exceeded its maximum acceptable average age or is within months of doing so.

Because air power is essential to every facet of our warfighting effectiveness, I believe the defense budget needs to reflect a greater sense of urgency about replacing aging aircraft. Aside from the shortfall in procurement spending, though, I believe the administration has done a good job in its first year of balancing the Pentagon's books, fixing inherited problems, and responding to new dangers.

Aging Aircraft

- **As aircraft age, they become less safe and more expensive to maintain.**

USAF Aircraft Age in Years			
	Maximum Safe Operating Age	Maximum Acceptable Average	Average Age Today
Fighters	30	15	14
Bombers	60	30	25
Electronic	50	25	24
Tankers	60	30	37
Intratheater Lift	50	25	23
Intertheater Lift	50	25	24

- **Average age of Navy aircraft exceeds that of ships.**
- **Army & Marines operate many Vietnam-vintage helicopters.**

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