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Affordability and National Security

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Introduction

This article advances two propositions: one, that the U.S. is living beyond its means; and, two, that there is a novel way to partially restore fiscal balance by imposing the doctrine of “affordability” on U.S. national security strategy.

This quixotic proposal is that affordability is paramount, and that policy is subordinate to affordability. For example, when policymakers analyze a major national security undertaking, such as a “discretionary” war (non-defensive, such as Iraq and Afghanistan), they must determine the estimated cost of combat and post-combat operations. The more difficult task would be for the president and Congress to allocate an amount of money for national security that would be divided among the sixteen federal national security agencies, including the Department of Defense, which has the largest share of the national security/defense budget.

This concept is quixotic because of the enshrined constraints that prevent rational budgeting, and the complex Department of Defense (DoD) budget process which are discussed below. Secretary Gates has recently ordered DoD to find \$7 billion in spending cuts and efficiencies for FY2012, growing to \$37 billion annually by FY2016. This is a laudable effort that addresses waste and inefficiency, including other money saving projects which are aimed at reducing administrative overhead.

Policymakers measure and respond to risk in a complex global environment. They make decisions without a clear understanding of the risks and the consequences that are involved in their decisions. Thus, it is difficult to estimate the expense involved. Policymakers do not pose the question, “What will be the financial expense of national security and military operations?”

The Problem

National security is the primary objective of foreign policy. It involves the recognition of risks that arise from those who seek to harm the U.S., self-inflicted harm, wrong decisions, and natural disasters.

National security requires calculations of acceptable risk – a recognition that risk cannot be reduced to zero. It also involves the probability of failure and its consequences. Even if infinite resources were available for national security purposes, unforeseen catastrophic events, both acts of terrorism and natural disasters, would occur. Because national resources are finite and affordability is imperative, the budget process must address both risk and affordability.

In recent years, budgeting has become skewed. The policy objective is paramount and, in most instances, immutable. The budget is not constrained by the drag of affordability; only policy objectives matter. The greater risk is the huge U.S. national budget that is enlarged by expensive, speculative national security threats. Fundamentally, this is the policy dilemma.

Budgeting Details

National security is one of several major powers granted to Congress by the Constitution, which includes provisions to provide for the common defense. There are sixteen federal agencies with national security missions, the largest of which is the DoD. National security functions receive approximately twenty percent of U.S. budget outlays.

The recent European budget crisis and the pernicious U.S. budget deficit suggest that the U.S. is living beyond its means. In the good old days of unbridled government spending and the pre-2007 stock market decline, there was a widely held belief among policymakers and the general public that our resources were infinite. Today, resources are finite and the budget deficit solution will be based on increased revenue and reduced expenditures, including less money to be allocated for national security-related missions.

One issue is *how to reduce national security expenses without jeopardizing U.S. national security*. The Clinton administration severely cut back national security expenditures in 1995, based on the “peace dividend” that was expected to be derived from the demise of the Soviet Union. This was well-intentioned and rational at the time, but it was counterproductive because it adversely affected the vitality of the national security community that was unprepared to cope with the consequences of the 9/11/01 attacks.

National security policy is made without due regard for resources that are needed to implement policy. The doctrine of “guns and butter” economy as a constraint was ignored when commitments were made to launch the Afghanistan and Iraq wars and to provide for the post-combat phase. In 2003, prior to the invasion of Iraq, DoD Secretary Rumsfeld estimated that the expense could be as little as \$50 to \$60 billion; he called higher estimates closer to \$300 billion “baloney.” The current estimates of the total costs are over \$1 trillion (with some estimates as high as \$3 trillion when including intangibles and post-combat costs), with additional major expenditures for at least the next two or three years. The combined expense of the sixteen

national security agencies in FY09 was \$750 billion which is 80 percent more than FY01. Money should not smother U.S. national security policy and implementation; nor should national security policy be based on limitless funding.

A second issue is *how to provide for an effective common defense*. The objective should be to substantially reduce national security expenditures; make the national security funds that are expended cost-effective; and be willing to spend more, if necessary, provided that it is cost-effective and conforms to the principle of affordability.

The Budget Process

National security functions and missions compete for funds with domestic social service programs. Both are limited by mandatory, non-discretionary funding commitments.

The federal government budget is huge and incredibly complex. It is also nearly dysfunctional. Budget decisions and the budget process are supposed to be premised on rationality. Yet, it is subverted by lack of a clear U.S. national security strategy which is constrained by the budget process itself, national politics, bureaucratic parochialism, and the leverage exercised by national security-related corporate lobbyists. The budget process works reasonably well, in spite of its deficiency, because more money is spent than is needed.

The ideal national security budget process has the following components:

1. An ongoing, clearly articulated U.S. national security strategy that provides the framework that addresses and prioritizes major domestic and international events which require vigorous response.
2. A comprehensive tactical plan to implement U.S. strategy involving budgetary coordination among all national security agencies.
3. Executive (White House) estimates of national security event response and supervisory control of national security agencies' budgets, coordinated among the National Security Council (NSC) and the Office of Management and Budget (OMB) functions. This includes prioritization and ranking of known, anticipated, and unforeseen events; and allocation of funds for catastrophic incidents are required.
4. National security agencies responsible for event response allocating appropriate resources in their internal budget.
5. White House requests to Congress for funding the national security agencies for their operation and catastrophic incident response.
6. Congressional hearings resulting in draft legislation and appropriation Bills that either support or modify the White House funding request.

However, democracy is a messy business—and national security budgeting is democracy at its messiest and least efficient. George Washington’s farewell regarding political parties addresses part of the budgeting problem:

All obstructions to the execution of the laws, all combinations and associations, under whatever plausible character, with the real design to direct, control, counteract, or awe the regular deliberation and action of the constituted authorities, are destructive to this fundamental principle, and of fatal tendency. They serve to organize factions, to give it an artificial and extraordinary force; to put, in place of the delegated will of the nation, the will of a party, often a small but artful and enterprising minority of the community; and according to the alternate triumphs of different parties, to make the public administration the mirror of the ill-concerted and incongruous projects of faction, rather than the organ of consistent and wholesome plans digested by common counsels and modified by mutual interests.

The political dimension of national security policy is dominant, but it is rarely evident or factored into the budget planning process. Politics is the arena where national security policy is made. Congressional committees and agency parochialism, and bureaucratic interests are interdependent and are a major component of the budget process. The budget process is expected to be rational and supported by quantifiable data and logic. However, redundancy and profligacy, magnified by turf protection, frequently occurs. *In reality, the national security budget process is subordinate to the political process.*

Policy is illusory without adequate resources. When the U.S. invaded Afghanistan and Iraq, although the DoD and policymakers did not know the intensity, duration, and manpower and equipment required for combat and combat support operations, and the post-combat scope and responsibility, it was assumed that there would be sufficient funds available to pay for the overall mission. Of course, the open honeypot assumption was correctly based on reliance on a supplementary/emergency appropriation. But at what cost to the U.S. economy?

Funds for national security policy objectives are planned and allocated through the budget process, which is part of the political process. The (simplified) budget sequence is:

1. Gather the facts.
2. Define the objective.
3. Develop a clear, overall strategy.
4. Allocate the tools available for tactical implementation.

This sequential national security budget process is frequently appended after the fact to policy decisions that are already made or for action that is already taken.

The three budget players are:¹

¹ The general public are not players in the budget process.

1. The President and the White House staff, including Senior executive branch officials who represent their respective national security agencies.
2. Congress, including national security-related congressional committees and their staff.
3. Interest Groups and the Lobbyists representing defense-related corporations, trade associations, unions, and interest groups.

The irrationality of the budget process is demonstrated by two examples. First, it is commonly agreed upon that nuclear proliferation is a primary threat to U.S. national security. The prevention of unauthorized acquisition of nuclear fissile material by bad guys is a paramount objective, yet only approximately .01 percent of the national security budget is allocated to this objective.

If a budget estimate is wide of the mark, not to worry, because a supplementary budget appropriation is usually available to make up the shortfall. A supplementary budget Bill usually passes with limited scrutiny. In the FY 01-FY 09 period, nine successive emergency national security-related budgeted requests – supplementary budgets – were passed totaling \$864 billion.

Second, the federal budget is the responsibility of the president. It is the primary tool for shaping the international and domestic policy agenda. The budget must be negotiated with Congress, which has the power of the purse. The president must coordinate the individual budgets of all national security agencies. However, the president is reactive to each national security agency budget without reference to overall national security strategy and comprehensive implementation of policy decisions.

The budget process cycle is rigid and is not adaptive to the intrusion of unforeseen events that occur in mid-cycle, such as 9/11, Haiti, and the British Petroleum Gulf of Mexico oil spill disaster. Another example is the Iraq war and a failure to anticipate and budget for post-combat operations.

There is no unified approach to congressional budgeting for national security. It is spread among House and Senate national-security related committees. The members of these committees have self-loyalties that ensure that national security money is spent in their home districts. Congressional etiquette is that no member is expected to reduce national security spending in his own district. Moreover, one does not cut national security pet project funding for other committee members.

Congress is the dominant player in the national security budget process because of its power of the purse. It uses this power to engage the president's policy and priorities for national security funding. Understanding the national security budget process requires abandoning rationality. It requires recognition of the primary role of political and congressional proclivities.

The safety valve for the deficiencies of the budget process is the *supplementary budget*. An "emergency" appropriation avoids budget scrutiny; there is a lack of transparency; it skews future federal budget projections; and it avoids spending caps and contributes to the national budget deficit.

For nine successive years, the wars in Iraq and Afghanistan have received supplementary appropriations totaling \$944 billion (FY2009). The figure reaches \$1.08 trillion when including the FY2010 supplemental appropriations (\$748 billion for Iraq, \$300 billion for Afghanistan, \$29 billion for enhanced security, and \$5 billion that cannot be allocated). The upside is that more realistic funding for Afghanistan and post-combat operations in Iraq are in the DoD appropriations for FY10.

The national security budget is difficult to analyze because of its quirky procedures. The Department of Homeland Security (DHS) has responsibility to respond to acts of terrorism and natural disasters. Yet, only one-half of its funding is in the DHS budget; the balance of funding for their activities is divided among many other agencies' budgets. This prevents Congress from placing its homeland security priorities in one place.

Members of Congress rely on their staffs for budget guidance. The bureaucrats have expertise and provide continuity for congressional decision making. However, this entrenched culture has an interest in preserving the status quo. Their vocal opposition to diminished funding for their respective agencies is usually effective. The result is that the budget does not adapt to new challenges and priorities.

Lobbyists for defense and national security-related corporations that provide goods and services are nimble, well informed, and persuasive. Many of these lobbyists have served as congressional staffers or are former high-ranking military officers. They are experts in their fields and they maintain personal contacts with key budget players in their former agencies. Their expert input is important for the national security budget, but they tend to exercise undue influence.

President Eisenhower warned the country to beware of the military-industrial complex. Corporations that provide homeland security/defense equipment, supplies, and services should not be vilified. In times of conflict, they are called upon for their innovation and surge capacity. In times of peace, they must rapidly retrench and maintain their production line capacity. They are critical to national security and deserve fair compensation. The issue is how Congressional oversight can maintain the appropriate balance and avoid conflict of interest when defense contractors award business to their subcontractors who are deliberately located in key Congressional districts, to gain Congressional support.

Recently, in a *Washington Post* series of articles, the magnitude of national security intelligence gathering was disclosed. There are sixteen U.S. government national security related agencies with approximately 100,000 intelligence professionals, not including private contractors engaged for intelligence gathering tasks.

Although non-disclosure of the overall intelligence budget and its components is appropriate because it may deny enemies vital information, the very large intelligence budget should be subjected to the same budget scrutiny as other U.S. agencies, subject to national security concerns.

CIA Director Leon Panetta is developing a five-year plan for his agency noting that levels of spending since 9/11 are not sustainable. "Particularly with these deficits, we're going to hit the

wall. I want to be prepared for that," he said. "Frankly, I think that everyone in intelligence should be doing that." However, the intelligence community culture appears to be, "if it's worth doing, it's probably worth overdoing."

The concept of "affordability" and "reverse budgeting" applies to defense and intelligence communities and domestic social agencies alike.

Conclusion

The DoD budget is a major portion of the U.S. national budget. It is the most complex of all the national security agencies. It is shaped by external forces and by politics and internal pressures. The DoD budget appears to be straightforward: what weapons systems are needed, and how many units are required; what equipment needs retrofitting and replacement from duty in Iraq and Afghanistan; what is the size of the military force and what are the personnel costs and retirement payment expenses?

The DoD budget problem arises because it should flow from U.S. national security strategy which tends to be unfocused, ad hoc, and tactical, rather than strategic.

There is a disconnect between imprecise or absent national security strategy and the military budget. There is very little understanding of the future expense of policy choices that will be incurred, many of which will require rapid and urgent military response. In this context, policy choices are made without an adequate strategic architecture that neither recognizes nor understands the true cost of policy choices.

The key principle is that affordability should be paramount and that policy choices are subordinate. The only exception is when emergency actions must be taken. The tests are: what is affordable; and what other funding priorities must be reduced to compensate for the urgent priority?

Now comes subtlety and guile. Imposing a budget limit on the Department of Defense may be a good idea, but it is not a great idea. Even great ideas are lost or ignored in the morass of politics, bureaucracy, and calculated delay and neglect. The target of this idea is not DoD because they are the hapless implementers of frequently flawed policies that lack the rigors of critical thinking and common sense. Before a major policy is undertaken--whether it be war or healthcare reform--the policymakers should be required to make their case. "Affordability" should re-enter the lexicon of policymaking.

The common cause political issue of 2010 appears to be budget deficit reduction. The phrase means different things to different groups. The common cause of fiscal and budget responsibility is ephemeral because at this point in time there is no discernible strategy to achieve this objective. There is widespread support for a national strategy--national and personal safety and security. The genius, if any, of the national security "affordability" idea is this: by imposing fiscal discipline on what has been regarded as an infinite source of funds, it will be much easier to impose a stringent affordability criterion on domestic spending and, ultimately, addressing previously untouchable non-discretionary commitments.