

CSIS

CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

BURKE CHAIR
IN STRATEGY

The FY2020 Defense Budget Request and the Need for a Real "Strategy Driven Budget"

By Anthony H. Cordesman

Working Draft: March 27, 2019

Please provide comments to acordesman@gmail.com

ARIS MESSINIS/AFP/Getty Images

The FY2020 Defense Budget and the "Real" Fiscal Balance

Anthony H. Cordesman

The proposed FY2020 defense budget is scarcely without merit. Meeting the request would fund many badly needed increases in readiness and major new programs within each service. At the same time, it is also a major failure. The *Defense Budget Overview* of the FY2020 budget issued by the Office of the Secretary of Defense calls it a "strategy driven budget," but neither the *Overview* – nor the hundreds of pages of supporting justification provided by the OSD Comptroller and military services – focus on strategy, key threats, net assessments of U.S. and threat forces, and the budget's impact on key commands and missions.

Rather than tie plans, programs, and budgets together by major mission and strategic goal – and provide serious detail on the key related trends in U.S. forces – the budget request documents describe spending by military service and focus on the coming fiscal year. They present an "input budget" in the form of a jungle of line items which – if explained or justified at all, are done so by military service.

When documents like the *Defense Budget Overview* do touch on strategy, they almost always do so by describing broad goals. They make little attempt to tie spending requests to either the new *National Security Strategy* the Administration issued in December 2017, or the *National Defense Strategy* that it issued in early 2018. It does not define how the U.S. will deal with Russia, China, North Korea, nor Iran in any detail. It presents no clear plan to fight terrorism or extremism.

There is no meaningful form of program budget, and no clear replacement for the annual posture statements of the Secretary of Defense and Chairman of the Joint Chiefs issued in the past. There is no way to know how the budget request will shape the capabilities of the Department's 10 combatant commands, and how it will affect their "geographic or functional mission" and "command and control of military forces in peace and war."

Accounting by Service has its value, but U.S. strategy is shaped by joint operations and joint warfare, by U.S. capabilities in given regions of the world, and by global capabilities in areas like cyber, space, strategic, and global transportation power projection operations. The so-called "strategy driven budget" does not really address any of these areas, describe the related the role of our strategic partners, provide summary net assessments of potential threats, or describe and justify a related Future Year Defense Program for each command.

It is poorly structured even as a service-by-service input budget. Rather than submit a unified defense budget, the Department requests a defense budget that is divided in into separate blocks that sometimes are so poorly defined that it is almost impossible to determine what spending levels actually apply to given spending categories. After some eighteen years of wars, the budget still does not present a credible total cost or budget for any given war.

Serious questions also emerge as to whether the defense budget request includes all of the spending that should be included in the total U.S. defense budget – particularly in the case of the growing cost of nuclear weapons and veterans care. At the same time, there is no clear way to relate any aspect of spending on defense to the cost of the civil aspects of national security like foreign aid. No attempt is made to deal with the potential problems caused by the major cuts that the FY2020 budget request makes in federal spending on foreign aid and the civil aspects of national security.

Finally, the entire budget submission is centered around the assumption that the U.S. needs more defense spending – rather than to spend more wisely on the right forces and missions. Yet, comparisons of U.S. spending with that of the key potential threats identified in the new *National Defense Strategy* shows that the U.S. spends vastly more on military forces than Russia and several times more than China. It also shows that for all the angst over NATO European burden sharing, the NATO European countries collectively spend many more times than Russia.

At a minimum, the U.S. needs a real "strategy driven budget." It needs to focus on key missions and regions, and do far more to justify military spending in net assessment terms. It needs to understand why the U.S. and its allies spend so much more than key threat countries. It needs to fully justify requests for more – rather than better – spending. Simply asking for more, without putting budget requests in areal strategic content – or providing serious justification – is simply not an acceptable way of creating an effective U.S. strategy.

The Need to Focus on Strategy in the Form of Tangible Plans, Programs, and Budgets

The White House summary of the defense portion of the President's FY2020 budget request – *A Budget for a Better America* – cites three key highlights for the Department of Defense:

- The Department of Defense (DOD) provides the combat credible military capabilities needed to compete, deter, and if necessary, fight and win wars to protect the security of the United States.
- The Budget funds the National Defense Strategy to support DOD's three lines of effort: rebuilding readiness and lethality; strengthening alliances and partnerships; and improving performance and affordability through reform.
- The Budget requests \$718 billion for DOD, a \$33 billion or 5-percent increase from the 2019 enacted level.

It is worth noting in passing that other budget request documents show the total U.S. defense budget request for FY2020 will actually total at least \$750 billion if nuclear weapons and defense-related activities are included, and will cost far more than \$850 billion if all spending on veterans is included.

The core problem in the request, however, is that it does almost nothing to explain and justify the Administration's new *National Security Strategy* and *National Defense Strategy*. It ignores past efforts to provide a supporting posture statement from Secretary of Defense, or to legislate a supporting net assessment of the balance from the Chairman of the Joint Chiefs. It does not examine how the proposed budget will alter U.S. capabilities relative to the Russian and Chinese threats, or alter U.S. capabilities relative to North Korea, Iran, and terrorism and extremism.

Creating a Modern Planning, Programming, and Budgeting (PPB) System

There are far better ways to cost and justify American defense spending, and the U.S. came close to adopting them in the past. It was clear by the late 1950s that the budget request should be the product of a Planning, Programming, and Budgeting (PPB) process that focuses on U.S. strategic needs and that is part of a Future Year Defense Plan (FYDP) – one that ensures that the U.S. focuses on future costs and not just the coming year.

Efforts to create such a system in the early 1960s gradually collapsed under the pressures of the Vietnam War, Congressional resistance, and the failure to choose functional strategic categories for planning and programming. Lumping so much spending under "General Purpose Forces" alone created a program budget focused on a category so broad that it was the equivalent of "no purpose

forces." These pressures blocked the process of PPB reforms that Hitch and McKean helped began under the Eisenhower Administration, and that had gathered momentum under Robert McNamara at the time of the Kennedy Administration.

The Department reverted to reporting by military service, Agency, and Department. The Budget Control Act then led it to do so under conditions that focused on costing the coming new Fiscal Year. All of the previous efforts at program budgeting have largely ceased to have any real meaning. If one adopts Oscar Wilde's definition of cynicism, the Department's budget has become a system designed to report on the "price of everything and the value of nothing."

Classic examples of such failures to address "value" have been the inability to define a major shift like "rebalancing to Asia" under the Obama Administration, explain the meaning of the new focus on Russia and China under the Trump Administration, accurately assess the cost of U.S. wars and major operations, and measure the real world "burden" of U.S. spending on key activities like NATO.

The net effect is that many aspects of the current U.S defense budget emerged as a dysfunctional mess which is excusable only on the grounds of internal tensions within DoD and external Congressional politics. The Department of Defense has failed to properly tie its budgets to a clearly defined strategy, and use the planning, programming, and budgeting (PPB) process effectively. It has failed to tie the budgeting process to the progress made in net assessment under Andy Marshall. At the same time, the U.S. has separately announced major changes in strategy in many areas of its force structure and deployments, and issued unclassified documents on Chinese, Russian Iranian, and North Korean military power.

There is, however, an obvious solution. Today, a program budget based upon the U.S. Unified Combatant Commands would reflect the fact that they – not the military services – have become the core of U.S. strategy, and plans and programs. They are the logical focus for a modern Planning, Programming, and Budgeting (PPB) process. They are the areas to explain the new programs, new investments, and trade-offs that reflect major changes in strategy like the focus the *National Defense Strategy* places on China and Russia, and strengthening U.S. strategic partnerships.

These commands now include:

- *Africa Command* protects and defends U.S. interests by strengthening the defense interests of African nations.
- *Central Command* covering 20 nations in the Middle East, Central and South Asia, and the strategic waterways that surround them
- *Cybercommand*
- *European Command* that works with NATO and partner nations to address security in Europe, parts of the Middle East, and Eurasia.
- *Indo-Pacific Command* that covers Asia, the Pacific, South Asia, and the Indian Ocean.
- *Northern Command* that operates in the Continental U.S., Alaska, Mexico, Canada, and portions of the Caribbean and surrounding waters.
- *Southern Command* that works with allies and partners across Central and South America.
- *Space Command*.
- *Strategic Command* that operates globally to deter and detect strategic attacks against the United States.
- *Transportation Command* that provides transportation and power projection capabilities for the military.

A planning, programming, and budgeting (PPB) process based on funding these commands could properly explain, cost, and justify the current and planned programs and forces for any key aspect of U.S. strategy. It could seriously address plans and programs for America's ongoing wars and combat operations, and show how the U.S. will actually meet new technological challenges and deal with hybrid war. It could also be used to link purely military activity to civil-military operations, and serve as a basis for net assessments that address U.S. capabilities and partner relative to any given major threat, or the role of U.S. strategic partners.

Politicizing the Future

A meaningful U.S. defense strategy also has to project future costs – showing how each year's budget request reshapes the longer-term nature and cost of the key elements of U.S. forces. Today's defense budget requests budget not only abandon serious efforts at program budgeting, they have ceased to provide the kind of meaningful estimates of future costs that are critical to shaping an effective strategy. The data in the DOD and related budget requests do appear to project enough of a Future Year Defense Plan (FYDP) to show the projected cost of U.S. defense spending for five years in the future.

Shadow numbers are provided. **Figure One** shows the Department's "outyear" numbers for DOD for FY2021-FY2024. It also shows the estimated impact of defense spending as a percent of GDP, and provides a rough indicator of the burden DoD spending places on the economy. At a broader level, OMB provides estimates through FY2029 – a decade in the future.

For years, however, the outyear projections of future DoD spending that go beyond the coming fiscal year have been little more than political placeholders. This certainly seems to be the case for the FY2020 projection of OCO war costs. DOD and OMB data show a sudden and largely unexplained crash in wartime spending from \$62 billion in FY2021 to \$20 billion in FY2022. This spending drops to \$10 billion in FY2024, and remains at \$10 billion a year through FY2029.

Projections of future budgets are also being used to send political messages. For example, the Administration has touted increased defense spending as reaching record levels. While the use of deflators is somewhat uncertain, the data in **Figure One** show that much of this talk of record increases in defense spending is exaggerated. For example, it is far from clear that if the FY2019-FY2024s figure were shown in constant dollars, they would be all that much higher than spending in FY2010.

The data on Defense as a percent of GNP data in **Figure One** politicize projected economic growth – and project an unrealistic lack of the lack of any major future contingency spending – to the point where the GDP projections have equally little real world value. The most that can be said of such estimates is that there are probably enough shreds of truth so that they still indicate that the burden that DoD spending will place on the U.S. economy through FY2024 will not become serious and could actually decrease.

The Department of Defense: A Pentagon Fiscally Divided Against Itself...

At the same time, the FY2020 Defense Budget request shows that American defense budgeting has evolved in ways where some elements have become a compartmented black box – one that makes it difficult to summarize all of the spending involved in any given area – even if one only looks spending by the Department of Defense.

At one level, the Department of Defense reports on two different kinds of spending projection:

- Almost all of reporting on total DoD and other national security spending is shown in terms of dollars in Budget Authority (BA). These figures include directly related future spending, although the reasons future spending exceeds annual spending are often far from clear.
- In contrast, the impact of DoD and national security spending on the overall Federal budget is reported in terms of dollars of Budget Outlays (BO) – which only cover how much money actually flows out of the Treasury in a given Fiscal Year. This means that the actual BO spending that affects a balanced budget can be substantially lower than the BA figures normally quoted.

At another level, the Department's budget is divided into two other categories that include a dominant portion of "discretionary" expenditures which are not mandated by law, and a small amount of mandatory defense expenditures and adjustments that are mandated by law that the Department must include in forming its budget request. Most public analysis of the Department of Defense budget only reflects the "discretionary" spending, and these numbers are the main focus of this analysis.

Beyond that, the Department has succeeded in supplementing the "fog of war" with a growing "fog of money." The Department of Defense's FY2020 budget is now divided into four additional kinds of spending. The spending categories involved are shown in the budget data in the top portion of **Figure One**.

The "Baseline" category in **Figure One** is the core of U.S. spending. Ever since the start of the Afghan conflict, the vast majority of DoD spending has been included in a "Baseline" budget category that covers the cost of ordinary military and DoD-wide programs. This spending totals \$544.5 billion in proposed spending in FY2020. It is reported by military service and defense agency, and – as has been noted earlier – with almost no real ties to strategy, plans, missions, and major commands.

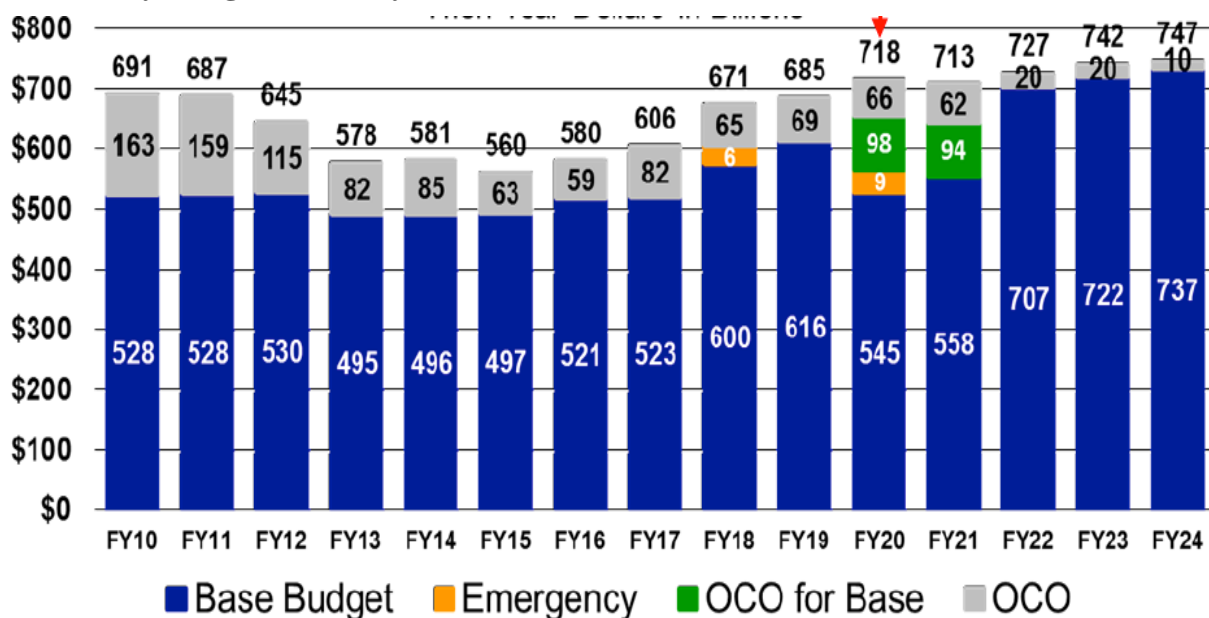
Figure One also shows the cost of a category called "OCO" or Overseas Contingency Operations. These costs are supposed to be the cost of U.S. wars and urgent military operations, and have dropped sharply in recent years. However, current DoD and CBO reporting show that the OCO figures do not include all war costs but do include some non-war or "baseline" costs. The proposed total for such OCO spending is \$66.7 billion for FY2020.

The Department sometimes reports a third "Emergency" budget category. This category does appear in FY2020, and the proposed total is \$9.2 billion. This time, part of its purpose may be to provide a potential way of funding the President's "Wall."

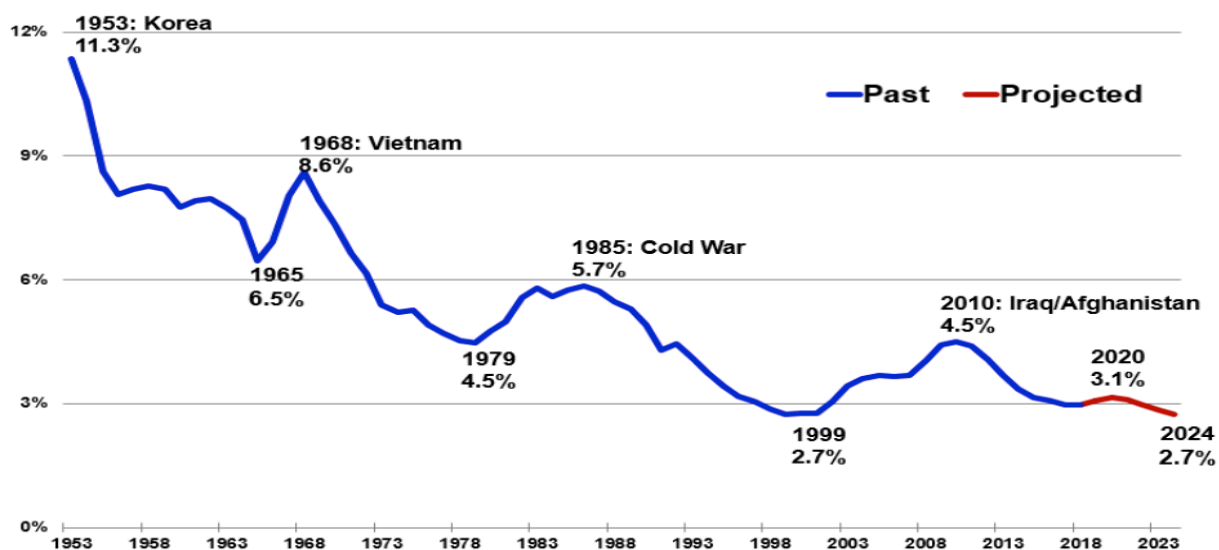
Finally, this year the DoD adds a fourth new "OCO for Base" budget category to its FY2020 submission with figures for both FY2020 (\$98 billion) and for FY2021 (\$94 billion). This new budget category includes a wide range of other peacetime spending on baseline activities. Its purpose is to dodge around the budget caps set on "baseline" spending by the Budget Control Act, and it does not include any actual wartime or crisis spending.

Figure One: The Department of Defense Projection of the Size of – and Burden Imposed by – Its FY2020 Budget Request

Discretionary Budget Authority in Then Year (Current) Dollars in Billions



DoD Outlays as a Percent of Gross Domestic Product (GDP) FY 1953 – FY 2024



Source: OSD Comptroller, *FY2020 Budget Summary – A Strategy Driven Budget*, Department of Defense, February 2019, pp. 1-4 and 1-13.

Adding in the Cost of Nuclear Weapons Activities

Adding to the complexity (confusion?), the Department of Defense budget is only part of actual total U.S. defense expenditures – although a surprising amount of outside reporting on U.S. defense efforts ignores this. As noted earlier, the U.S. spends substantial resources on nuclear weapons. While the DoD budget does include the cost of modernizing nuclear delivery systems, it is the Department of Energy (DOE) that pays for nuclear weapons R&D and production.

The White House summary in *A Budget for a Better America* does not tie this DOE spending to any analysis of U.S. strategy or any assessment of the threat, but it does state that FY2020 budget,

- ... addresses the challenges that face the Nation and reflects the critical role DOE has in protecting the safety and security of the American people, including by ensuring that nuclear and radiological materials worldwide remain secured against theft by those who might use them against the U.S. homeland or U.S. interests abroad. The Budget also funds the modernization of nuclear weapons and ensures that the U.S. nuclear force remains superior in the world.
- supports the Administration's Nuclear Posture Review by maintaining a tailored and flexible nuclear deterrent that protects the homeland, assures allies, and, above all, deters adversaries. While the investments in America's nuclear weapons are large, given their importance in keeping America safe, the investments should be regarded as both necessary and affordable. The Budget increases investments in the nuclear stockpile to guarantee it is modern, robust, safe, and effective. Specifically, the Budget completes development and production of the W76-2 warhead, begins production of the B61-12 and the W88 Alteration 370, and continues development of the W80-4 and the W87-1. The Budget also continues support of the underlying Stockpile Stewardship Program, which facilitates stockpile modernization while advancing scientific understanding that can be applied to other national security missions.

The cost of DOE's nuclear weapons programs is often reported as costing around \$30 billion a year. Once again, however, these are dollars in BA. It is not clear what the BO total would be. What is clear is that a nominal \$30 billion may be unrealistic.

The initial OMB data for FY2020 did not cover all of the detail that will eventually be provided on the FY2020 budget. However, the detailed OMB budget data for FY2019 (OMB 26-1fy2019) show discretionary and mandatory totals for all defense related Department of Energy spending that are closer to \$26 billion a year than \$30 billion. The totals were \$21.4 billion in FY2017, \$22.2 billion in FY2018, and \$23.1 billion in FY2019. The OMB did estimate that they would rise to 26.3 billion in FY 2024 and 27.8 billion in FY 2024.

The Cost of Defense-Related Activities

In addition, the OMB data for FY2019 (OMB 26-1fy2019) show that some defense related activities in other agencies should also be included in analyzing U.S. defense spending – along with the nuclear weapons programs in the Department of Energy, in its totals for all defense spending.

These defense related activities included work by the FBI and CIA, adjustments to mandatory and past spending areas, and discretionary and mandatory spending totaled of around \$9 billion a year from FY2018 to FY2028 in the FY2019 budget request.

The OMB Estimate of the Total Cost of American Defense in FY2018-FY2029

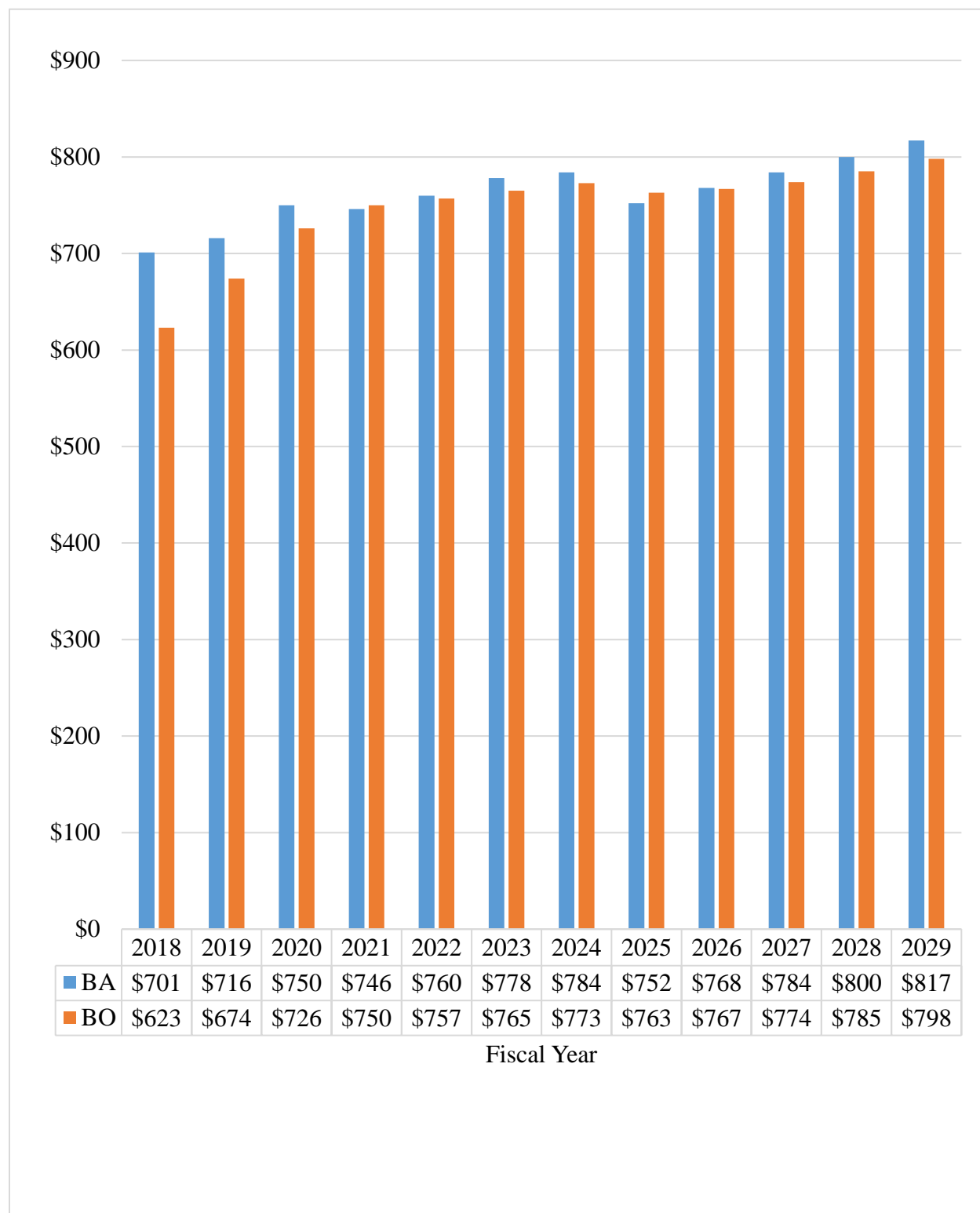
Given this background, it is clear that even a minimal estimate of the total cost of U.S. defense includes the nuclear weapons activities of the Department of Energy and the cost of defense related activities. These totals are much higher than the totals shown in **Figure One**.

OMB actual projected spending data for FY2018-2029 that do include the Department of Energy and defense related activities are shown in **Figure Two**. These data reflect the following trends for discretionary budget authority and outlays.

- As noted earlier, the Department's reporting concentrates on the total cost of defense in discretionary BA. The total BA spending in the FY2020 request goes from \$701 billion in FY2018 and \$716 billion in FY2019, to \$750 billion in FY2020. It then goes from \$746 billion in FY2021, to \$760 billion in FY2022, \$778 billion in FY2023, \$784 billion in FY2024, \$752 billion in FY2025, \$768 billion in FY2026, \$784 billion in FY2027, \$800 billion in FY2028, and \$817 billion in FY2029.
- The cost in Budget Outlays is equally important, however, because it reflects the projected impact of defense spending on the balance of federal expenditures and revenues, and the resulting deficit and impact on the national debt and national economy. The OMB data on the Departments FY2020 budget proposal show that the total cost in outlays in the Department's FY2020 request goes from \$623 billion in FY2018 and \$674 billion in FY2019 to \$726 billion in FY2020. It then goes from \$750 billion in FY2021, \$757 billion in FY2022, \$765 billion in FY2023, \$773 billion in FY2024, \$763 billion in FY2025, \$767 billion in FY2026, \$774 billion in FY2027, \$785 billion in FY2028, and \$799 billion in FY2029.

It is important to note that the data in in **Figure Two** are in current dollars, rather than constant dollars that show the impact of inflation. Moreover, even the BO data are nominal estimates of actual spending. The Department of Defense has not yet been able to balance its actual annual budget in ways that fully account for its actual annual spending. *Once again, it should be stressed that such estimates become progressively less probable with each year in the future from FY2020 onwards.* This is particularly true in today's highly partisan political climate, and in the context of major pressures in key areas of civil mandatory and discretionary spending.

Figure Two: Total Cost of U.S. Defense (???): FY2018-FY2029
(Current \$USD Billions)



Source: *A Budget for a Better America* - The White House, March 2019,

<https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-fy2020.pdf>

Should Opportunity Cost, Interest, Homeland Defense, and the Cost of Veterans Administration and/or all Veterans Benefits and Services Be Added?

The totals in **Figure Two** may well be the best way to account for total U.S. defense spending. However, a number of studies and experts include major additional costs in estimating total U.S. defense spending.

Three such spending categories should probably not be included in either budgets or estimates of the total trends in military or defense spending, although they can legitimately be used as political arguments for alternative spending or reducing total federal spending

- *Opportunity Cost* tries to estimate the benefits of not spending defense money at all, or spending it on some other area the analyst feels is more important. This is certainly a valid area of concern, but singling out some aspect of defense spending is a political judgment, not a way of estimating the cost of defense, and charging the equivalent of compound interest y exaggerates the value of any trade-off or cut in spending for political purposes.
- *Interest on the Debt* is roughly the same story. The same approach can be applied to every aspect of federal spending that analyst involved doesn't like.
- *Homeland Defense* is somewhat more credible, and the budget request for the Department of Homeland Security is \$51.7 billion in discretionary appropriations. OMB reports that this is, "a \$3.7 billion or 7.8-percent increase from the 2019 estimate (excluding 2019 amounts for Overseas Contingency Operations)." In practice, however, almost all DHS involves critical civil activities like transportation safety, immigration and border security, disaster relief, law enforcement, and the Secret Service. Adding it to military-related defense spending is simply a way of exaggerating the cost of defense.

Veteran benefits and services potentially are a different story. A number of experts do feel that the total cost of defense should include the cost of meeting the needs of Veterans, and that these costs are rising so sharply that they cannot be decoupled from the other aspects of the cost of all-volunteer forces and military personnel.

By the same standard, the lifetime costs of every federal retiree or employee who is disabled or unable to work for other health reasons should be added to every U.S. government program. These costs also involve a small percentage of Americans who take exceptional risks for their country, and many who have served their country in combat and suffered badly in the process.

This is an area where no jokes are possible, but the issue is a critical one because of the size of the costs involved. The Veterans Administration budget request for FY2020 states that the FY2020 budget request is \$220.2 billion. This is \$19.1 billion or 9.5% higher than in FY2019. The mandatory spending request is \$123.2 billion, which is \$12.3 billion or 11.1 percent above FY2019.

The discretionary spending request is \$97.0 billion (with medical collections), which is \$6.8 billion or 7.5 percent above FY2019. (fy2020VAsBudgetRolloutBriefing(2).pdf). If one adds the \$220 billion to the \$750 billion total for FY2020 in **Figure Two**, the total cost of U.S. defense rises to \$970 billion.

The rises in recent mandatory and discretionary in Veterans spending have been exceptionally high. They rose from \$166.9 billion in FY2016 to \$201.1 billion in FY2019. The FY2020 request brings the rise to \$53 billion or 32% over a five-year period. The initial summary budget request

does not project total spending beyond FY2020, but does show similar increases in several major categories. The OMB data for the FY2019 budget request did project that Veteran costs would rise to \$209.8 billion in FY2020, \$239.7 billion in FY2024, and \$273.7 billion by FY2028. It seems likely that the outyear rise for FY2021-FY2029 will have at least an equal rate of climb.

There is a case for examining these cost trends, and for being careful not to simply keep raising spending because it is politically popular. There may be an equal case carefully reviewing the overall patterns of retirement spending on civilians, and the net costs of trade-offs with contractors and outside services. Some experts would also argue that Veterans' costs have been inflated by inadequate initial care and treatment and there is also a need to develop more effective medical programs and reduce all costs on a national level.

The FY2020 budget request does address some aspects of these issues. However, no other aspect of annual federal budgeting includes the cost of civilian retirees and those disabled in the work place versus the cost of their pensions and current annual medical care. No comparable efforts exist to budget such costs for law enforcement, firefighters, and similar high risk positions. Moreover, no other country seems includes similar costs in their military budgeting. Spending on Veterans may need more careful management, but the case for adding them to total national defense budgets still seems uncertain.

The National Security Elements of Foreign Aid Are Not Included in the DoD Budget

It is also important to note that none of the figures for national security spending include the full cost of civil-military operations, the foreign aid needed to help countries recover from war, or the military aid needed to achieve civil stability, and reduce the causes of terrorism, extremism, and civil war.

The White House summary of the FY2020 budget submission says that State and USAID are making major reforms and improvement in such efforts, but it also calls for major cuts in top line foreign aid spending efforts at a time the world faces massive challenges in dealing with refugees and recovering from struggle like the fight against ISIS:

- The Budget for the United States' international programs advances the Nation's strategic objectives, including those outlined in the National Security Strategy of the United States. The Budget supports new tools to allow the United States to respond flexibly to international challenges, as well as organizational reforms to increase agency effectiveness. These reforms prioritize the efficient use of taxpayer dollars and increased burden-sharing to rebalance U.S. contributions to international organizations.
- The Budget requests \$40.0 billion for the Department of State and USAID, a \$12.3 billion or 23-percent decrease from the 2019 estimate. The Budget also requests \$1.6 billion for Department of the Treasury international programs, approximately equal to the 2019 estimate.

There are good reasons to question whether even the existing spending levels are adequate to meet today's challenges. The OMB spread sheet referred earlier shows that mandatory and discretionary spending on all International Security Assistance spending totaled \$7.3 billion in FY2019, and that all International Development and Humanitarian Assistance totaled \$12.1 billion. Foreign Exchange and Information Activities – critical work in time of information warfare – cost \$0.9 billion. This seems to be a dubious approach to formulating a successful strategy when the U.S. military consistently warn that there are no purely military solutions to fighting terrorism and extremism.

Rejecting the "Oliver Twist" Approach to Strategy, Planning, and Budgeting

The end result is that the FY2020 defense spending request has an Oliver Twist-like character that suits the kind of humor that one finds in the theater of the absurd. In Dicken's book, Oliver is a nearly starved work house orphan whose diet consists of a half-filled bowl of gruel. He famously says, "Please sir, I want some more," and the reaction is negative to say the least.

The Department of Defense, however, is scarcely in the position of a workhouse orphan. **Figure One** shows that it is a declining burden on the U.S. GDP and economy, but it has already been getting significant spending increases from Congress. This makes it interesting to compare the resulting spending levels with the spending by the two key threats that are the focus of the new U.S. national defense strategy.

Figure Three compares recent U.S. defense spending with estimates of Chinese and Russian military spending. It uses data from of DIA, and two leading think tanks – the International Institute of Strategic Studies (IISS) and Stockholm International Peace Research Institute (SIPRI). Both the IISS and SIPRI spending figures show a massive U.S. lead for all the years shown – even if one ignores all possible add-ons to the U.S. budget, the efforts of America's strategic partners, and the fact that the IISS and SIPRI both use definitions of defense spending that are far lower than the U.S. estimates shown in **Figure Two**.

If one takes a "snapshot" of the IISS estimates for FY2018 – a year before the impact of recent sharp rises in U.S. defense spending – it shows the U.S. spending is still nearly 15 times that of Russia and 3.8 times higher than that China.

The SIPRI data are in constant dollars and make an attempt to correct for the fact Russian and Chinese official estimates are too low. The Russian and Chinese official data almost certainly fail to include significant procurement and RDT&E spending, rely heavily on conscript and much lower cost personnel, and do not take account of the fact that command economies can establish special price structures for state spending) Nevertheless, U.S. spending is still 9.2 times higher than Russia, and 2.7 times higher than China.

The comparisons in **Figure Four** make an even better case for questioning "how much is enough?" and asking if existing resources are being used wisely and effectively. The NATO data are the latest NATO estimates – issued in March 2019. They are compared to DIA data on Russia through 2017, and to IISS estimates for Russia 2018. This comparison has limits because the DIA data are somewhat dated and were issued in 2017. Like the data in Figure Three, the NATO data for the U.S. also use a NATO definition of defense spending, and only track broadly with the kind of official U.S. BO spending data in **Figure Two**.

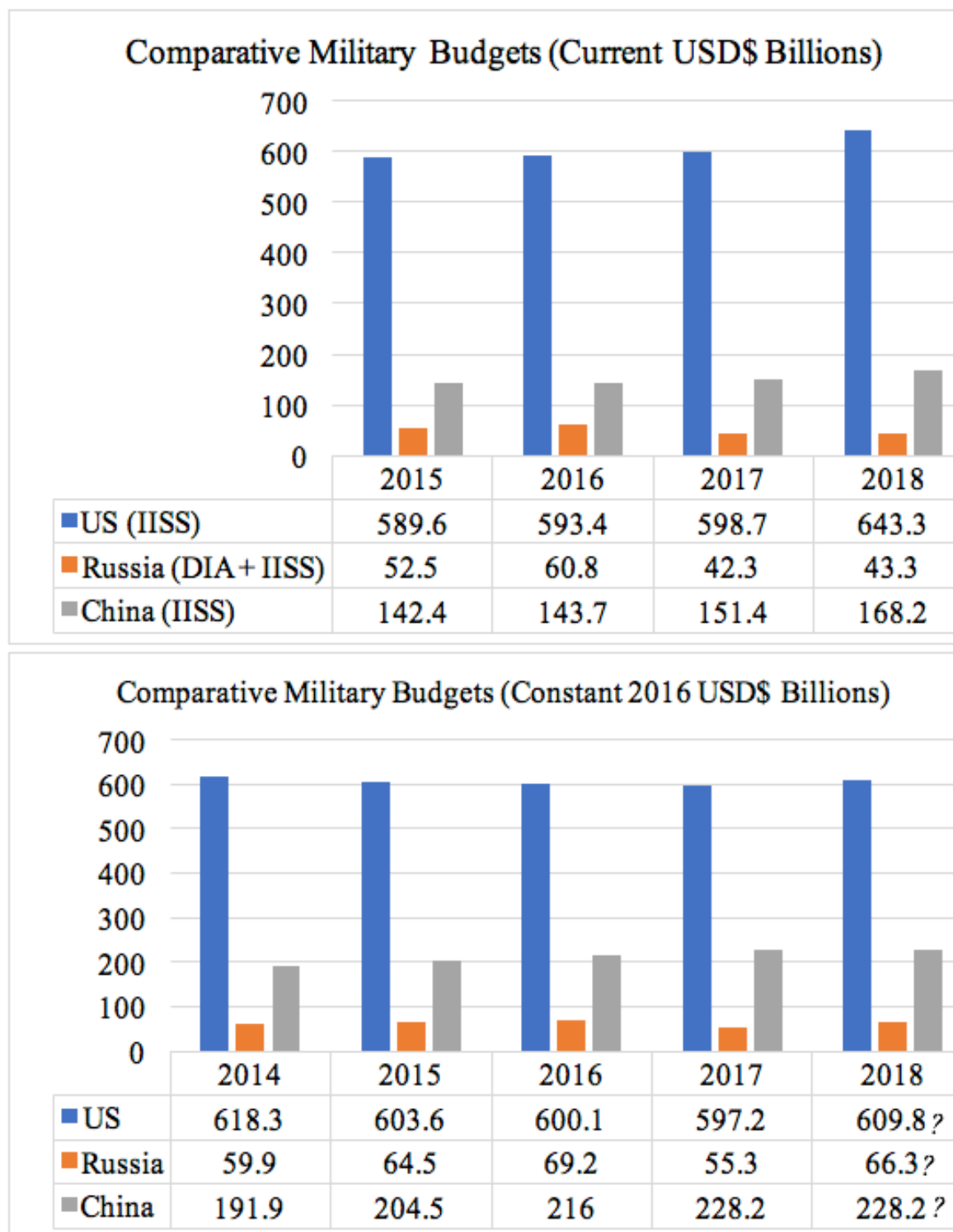
However, the key differences between U.S. and NATO European spending, and that of Russia, in both **Figure Three** and **Figure Four** are so large that any comparisons still have to be broad broadly valid unless the DIA data on Russian spending are grossly wrong for other reasons. Total NATO spending in FY2018 was 22.4 times that of Russia, U.S. spending alone was 15.6 times larger, and total NATO European spending was 6.4 times larger.

It is interesting that most assessments of the military balance never seem to address these "fiscal" aspects of the military balance. Moreover, past official U.S. strategy documents like the Quadrennial Defense Review have never provided any meaningful form net assessment or any serious force planning, programming and budgeting data.

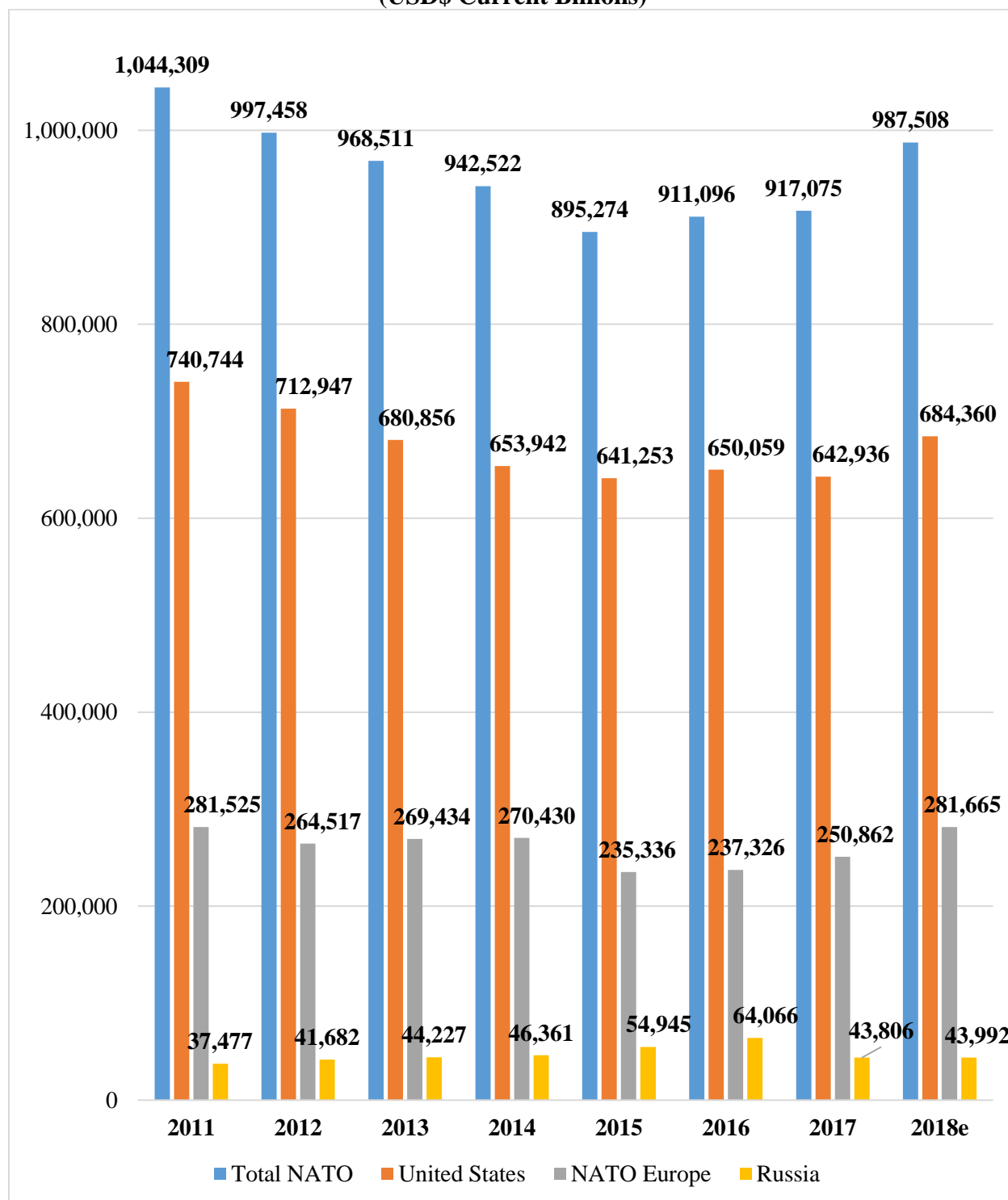
The work of the Commission on the National Defense Strategy for the United States – issued in November 2018 – does provide the one-page summary force comparison shown in **Figure Five**, but does not clearly tie these numbers of any aspect of its recommendations or provide any other net assessments.

It does provide the chart on comparative total U.S., Chinese, and Russian national R&D spending shown in **Figure Six**, but this is not a measure of relative military effort and the methodology use to make this estimate is not explained. There is no meaningful quantitative planning, programming, and budgeting (PPB) content, force planing detail, or other net assessment content.

Oliver Twist aside, there not only is a clear case for defense budget requests that have full PPB justification, there is a similar case for net assessments of comparative spending that fully examine both the credibility of current estimates of Russian and Chinese spending, and the relative efficiency of defense spending on each side. *Unless official net assessments should find that the comparisons in figures Three and Four are totally wrong, however, these data strongly suggest that that the U.S. and its strategic partners should shape its strategy, plans, programs, and budget requests to compete effectively rather than simply ask for more.*

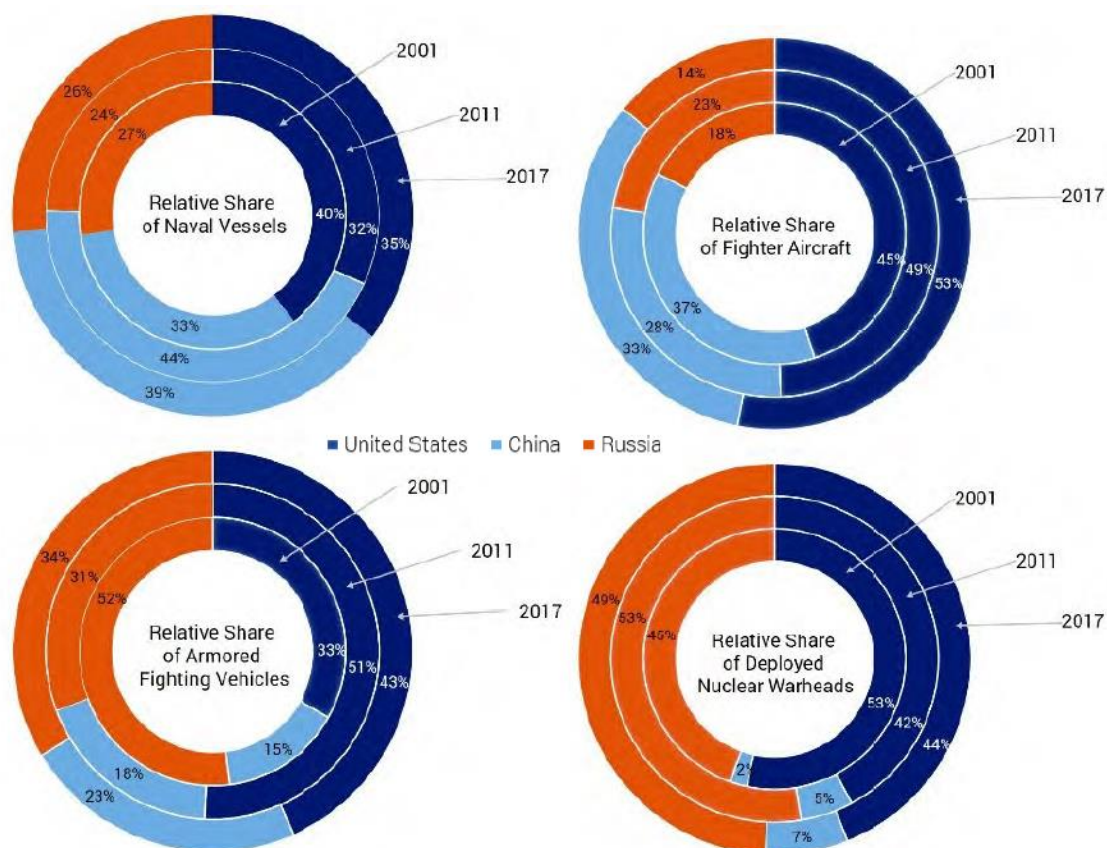
Figure Three: The US, Russian, Chinese Fiscal Balance

Source: IISS, *Military Balance 2019*; SIPRI Military Expenditure Database, accessed 14.3.19; APF email; and DIA, *Russia Military Power, 2017*.

Figure Four –NATO vs. Russian Defense Spending: 2011-2018**(USD\$ Current Billions)**

Note: NATO reports on country spending in current dollars at current exchange rates by NATO's own definition of military spending which is significantly lower for the U.S. than the US Defense Budget total. The official source on Russian spending is a DIA estimate made in *Soviet Military Power 2017*, which has been adjusted from constant 2017 to current dollars.

Source: NATO, *Defense Expenditures of NATO Countries (2011-2018)*, NATO, March 14, 2019, p.7, and Defense Intelligence Agency (DIA), *Russia Military Power, Building a Military to Support Great Power Aspirations*, 2017, p. 20. Russian figures have been converted to current USD\$ Dollars.

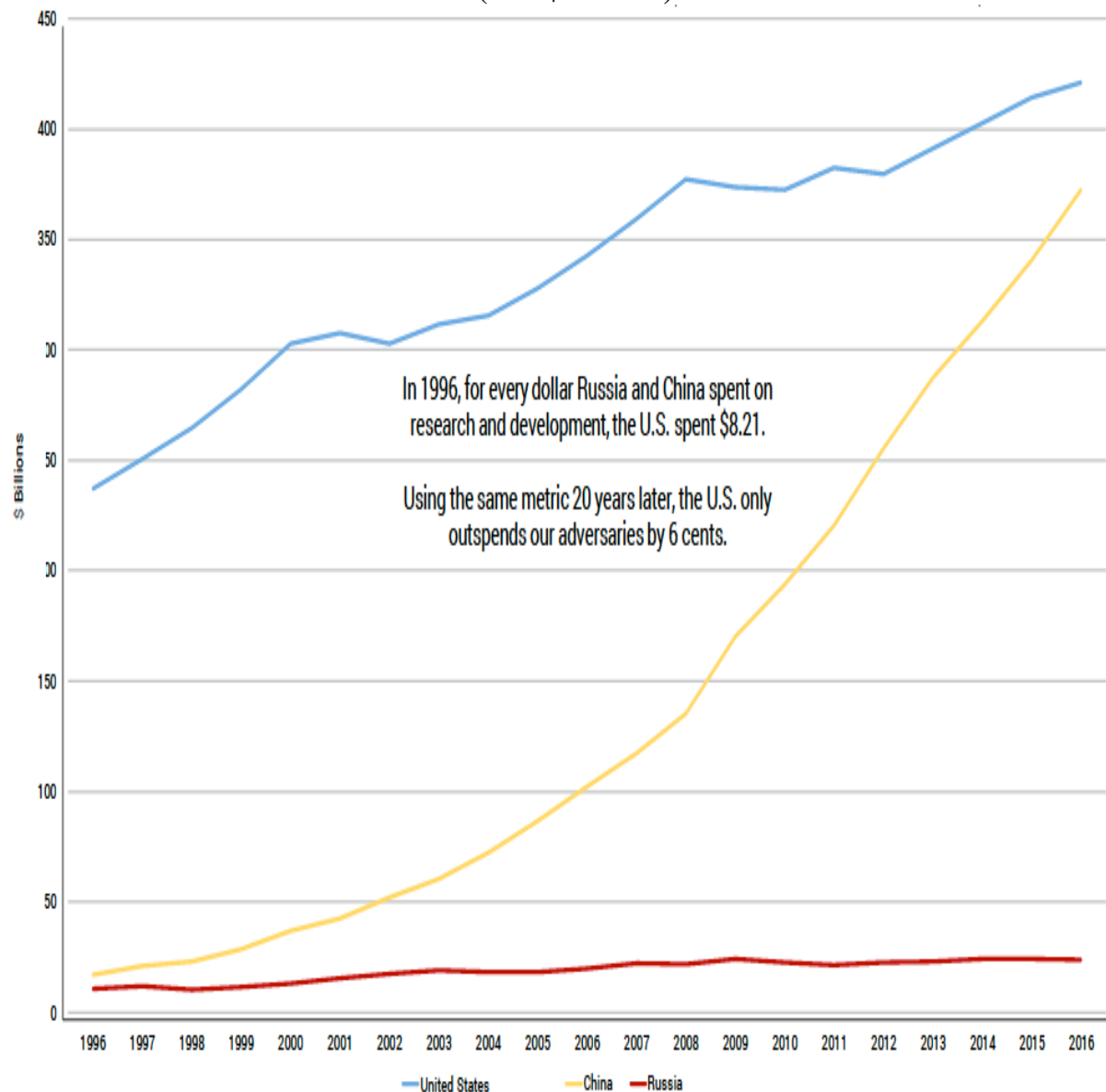
Figure Five - U.S.-Russia-China Force Comparison

Sources: International Institute for Strategic Studies (IISS) Military Balance, 2002, 2012, 2018. Bulletin of Atomic Scientists, Nuclear Notebook.

Notes: Naval vessels include submarines and combat logistics force ships, but exclude small patrol and landing craft. Fighter aircraft exclude “attack aircraft,” but include “fighter, ground attack” aircraft, as classified by IISS.

Source: Commission on the National Defense Strategy for the United States, *Providing for the Common Defense, The Assessment and Recommendations of the National Defense Strategy Commission*, November 13, 2018, p. 13

**Figure Six - Annual Expenditure on Research and Development (Adjusted for Purchasing Power Parity)
(USD\$ Billions)**



Source: United Nations Educational, Scientific and Cultural Organization R&D Database, IISS Military Balance and World Bank (for gross domestic product).

Source: Commission on the National Defense Strategy for the United States, *Providing for the Common Defense, The Assessment and Recommendations of the National Defense Strategy Commission*, November 13, 2018, p. 29.

Anthony H. Cordesman holds the Arleigh A. Burke chair in Strategy at the Center for Strategic and International Studies in Washington, D.C. He has served as a consultant on Afghanistan to the United States Department of Defense and the United States Department of State.