

# Defense budget cuts threaten U.S. strategic collapse

by Leo Scanlon

The release of the \$305 billion FY1990 budget proposal by the outgoing Frank Carlucci team at the Pentagon has been called a non-event by most veteran defense reporters who know that no matter what proposal is sent by this secretary, or the incoming John Tower, the Congress will make hash out of it. Nonetheless, the real story of the budget can be told by looking at the proposal which has been sent up to Capitol Hill: that this is a bare-bones budget which faces catastrophe from either the threat of Gramm-Rudman automatic cuts, or the actuality of a budget collapse.

Gen. Maxwell Taylor once quipped that American military strategy was an incidental by-product of the congressional budget process. Because of that absurd reality, we are now approaching the point where we will have neither a budget nor a strategy. Several graphs supplied by the Department of Defense illustrate the fundamental problems this defense budget is facing.

The first graph illustrates the proportion of federal outlays (actual money expended) consumed by defense spending over the last 20 years. Not surprisingly, it shows that in 1955, the government allocated 57% of its outlays to defense spending, but the figure has dropped precipitously, almost every year until now, to the present level of 25% or so. Not exactly the "budget-busting expenditures" that the international financial press is so fond of talking about.

The second graph compares defense outlays to the total Gross National Product, and also shows that there has been a continuous decline from 12% in 1955 to 5% today. This proportion is distorted by the change in the internal composition of the GNP: In 1955, there was a certain amount of actual industrial production and production for export, whereas today there is little or none, and 12% of something is a whole lot more than 5% of nothing!

So, if defense spending has been dropping as a proportion of federal outlays and as a proportion of GNP, for 20 years, why is there such a crisis atmosphere surrounding this budget item? The answer is that the crisis is in the national economy, not the federal budget. The problem is that the physical economy is so reduced, that further cuts in the rates of production and procurement of basic military necessities do not yield

any real savings. Each cut in the budget at this point, wipes out whole capabilities, without which some strategic commitment of the United States internationally must be abandoned.

For example, this budget proposes a 2% real increase in spending. This figure is a rhetorical device, employed in behalf of a campaign to keep spending levels increasing in NATO nations and Japan (the truth is, that for a good number of years, it has been the United States which has failed to match the spending increases of its allies). In order to avoid draconian increases in taxes, and to meet the deficit-reduction guidelines of the Gramm-Rudman-Hollings bill, the federal deficit must come in at about \$110 billion. This isn't going to happen, so there will be the "need" for further cuts, and the 2% increase will disappear. In fact, if the rather optimistic forecasts of the Congressional Budget Office prevail, the deficit will be minimally \$141 billion, and Gramm-Rudman-Hollings automatic cuts would reduce defense outlays by 20%!

Before analyzing what that would mean, take a look at the actual structure of the current budget proposal. Most of the money actually spent on a yearly basis goes to purchase weapons that were designed and purchased by contract years before. Payroll accounts for about 25% of the budget, and operations and maintenance count for about 14%. There is very little room to maneuver among these basic spending categories, and on a yearly basis, there is no more than 10% of the defense budget that is actually discretionary.

Thus, all significant cuts in the budget have very real effects, especially in the long-term production costs of major weapons systems. The 1990 budget is inheriting problems which have become acute over the last several years, and especially so following the \$50 billion reduction agreed to at last year's "budget summit." In gross terms, this budget makes "savings" by eliminating the Midgetman missile, reducing the force structure of all the services, and keeping Research, Development, Testing & Engineering (RDT&E) funds flat. Spending on the Strategic Defense Initiative, a measly \$5.6 billion, is the only target standing, and is going to get hit no matter what.

## Diminishing returns

To save money on weapons acquisitions, the units procured per year are reduced, and the total number of units can be cut. Stretch-outs, which affect almost every weapon now in production, of course increase the unit cost of each weapon ultimately purchased, and you "save" that money only once, while the costs accumulate in each subsequent year.

The Democratic Study Group, a liberal congressional think tank, points out the bind this eventually produces: A \$100 million cut in 1990 appropriations for aircraft procurement would produce on average about \$7 million in 1990 outlay savings. A \$100 million Navy shipbuilding cut would produce about \$3 million in 1990 savings. Overall, a 5% defense cut would save only \$8.9 billion in 1990 federal outlays—and that is the only figure that counts in the Gramm-Rudman sweepstakes!

Nonetheless, the current budget is forced to reduce further the rate of procurement of major systems, below the reductions mandated by the last budget summit.

The Air Force's F-16 Falcon and F-15 Eagle are both being bought at reduced rates. Purchase of F-16s was reduced from 180 to 150, and the F-15 from 42 to 36.

The Navy EA-6B (electronic warfare version of the A-6 attack fighter) has been reduced from 9 to 0. It has also reduced purchase of HARM missiles from 1,649 to 1,142, and has dropped a CG-47 class cruiser altogether.

The Army has reduced purchase of the M-2 Bradley Fighting Vehicle from 624 units to 600.

Opponents of defense spending on Capitol hill are screaming that this is a trick. They universally oppose any effort by the military to "lock in" economical rates of production by promising a steady, multi-year guaranteed purchase rate, which would allow the producers to plan rationally their manpower and tooling needs. Unless a program can demonstrate at least 12% savings over the projected cost, it must be subject to yearly review by congressional committees. The Pentagon is nonetheless requesting that numerous programs that don't make that cut-off point be allowed to move into multi-year procurement.

## Cut operations, maintenance, troops

The next available target for savings are the costs associated with the operations and maintenance of the weapons that already exist. In this area, the situation has been grave for a number of years. The current budget is generally flat compared to earlier reduced levels of funding; thus there is a continuous erosion due to inflation.

The budget will take two ballistic submarines and two wings, or about 72 Air Force planes, out of operation next year, and will have to cut ammunition accounts by 12% from the 1989 level of funding. The latter is a particularly nasty economy measure, as ammunition stocks have been historically low for more than a decade. There was a slight boost in this area in the early Reagan years, but according to one

observer, in the 1990 budget, "We're crashing."

The plan will cut operation of armored combat vehicles from 850 to 800 miles per month, in order to fund the introduction to the field of the AH-64 Apache helicopter, and other new equipment.

The Navy is introducing one Trident II submarine into the fleet, but plans to equip the older Trident I with the modern Trident II weapon system are delayed until 1993. It should be mentioned that the Soviet Union fields three submarines for every one operated by the United States, and they have been making startling strides in propulsion technology, it now being openly admitted that the Soviets have developed silent magnetohydrodynamic (MHD) drives for certain classes of attack submarines.

The Air Force will reduce the tactical fighter force in the Guard and Reserves, and flying hours will remain at about 19 per month. Naval aviators will fly about 25 hours per month. Experienced pilots consider these levels much too low, even dangerous, especially considering the mysterious crashes that have shut down combat training in the European theater.

The cumulative effect of past years' budget cuts is most obvious in the big show that preceeded the release of the budget, over base closings. Backlogs of maintenance and construction requirements in the domestic basing system help contribute to the appearance of "unreasonable cost" associated with certain U.S. bases. The base closing commission then targeted bases to be closed, in large part, based on the resale value of the real estate the base was occupying!

When all is said and done, over 20,000 civilians are facing dislocation or unemployment. There is no real way to calculate the effect of this on the national tax base, since these figures are ultimately doctored beyond recognition. The statisticians claim that these unemployed will be reintegrated into the system—but these calculations are based on studies done the last time this happened, in 1977, and that was a completely different economy. The irony is that in the case of Chanute AFB, in Rantoul, Illinois, the training base had been almost completely renovated in the last few years.

The savings from all this? No more than \$600 million per year, and it will cost \$500 million to get the program started! One fact that is seldom mentioned, is that the military has been prevented from doing this domestically by political considerations. Not so overseas, where bases have been reduced 30% over the last 10 years.

This then brings us to the last big item—troop cutbacks. If pay and retirement and living conditions continue to deteriorate, some volunteers will be driven out of the force. Others will be given "early out" and retired out of the system, but this won't save any real money. The big target, so much aimed at by the appeasers, is the wholesale gutting of troop commitments to U.S. allies in Europe and Asia. The destruction of these treaty arrangements is the bottom line in any further defense cuts.