

Budget crunched: The facts of Romney's proposed \$2 trillion defense increase

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During last week's debate, President Obama said several times that Governor Romney would increase defense spending by \$2 trillion. Romney didn't protest. Obama's claim is accurate, but the underlying issue goes far beyond arithmetic. It is really about strategic risk and national priorities. The candidates' differing visions for defense spending represent the most significant contrast on national security policy in the 2012 election.

DOD's 2013 base budget excluding war funds is \$525 billion, which equals 3.3 percent of GDP. Under Obama's plan, it will continue to grow modestly in future years. Romney has said that he wants to reverse the Obama-era cuts, return to the 2010 plan crafted by Robert Gates, and set the goal of spending 4 percent of GDP on defense. Those three objectives are different, so he'll have some wiggle room should he become president.

Let's compare Romney's third objective to Obama's plan. We'll run two scenarios for Romney. Under "Ramp Up," he increases defense spending by 0.1 percent of GDP per year until it reaches 4 percent and keeps it there. Under "Immediate," he increases defense spending to 4 percent of GDP immediately and keeps it there.

The table compares the Obama and Romney plans. The data are derived from OMB and CBO and denominated in billions. (I first did this calculation at the request of CNN Money in May. The resulting article has received some attention. The New York Times ran a signed editorial on the issue in August).

From 2013 to 2022, the difference between Obama and Romney "Ramp Up" is \$2.063 trillion. The difference between Obama and Romney "Immediate" is \$2.316 trillion.

Why is there such a big difference between Obama and Romney? Because GDP tends to get bigger over the long run, so indexing defense spending to GDP will cause the defense budget to grow -- sometimes rapidly -- in perpetuity. Don't just take my word for it. Cato's Chris Preble ran this excursion and got similar results. AEI's Tom Donnelly said an earlier iteration of this analysis presented "obvious, but undeniably true, facts." This chart illustrates the differences between Obama's and Romney's plans and puts them in historical context.

Readers should note a few things. First, cost estimates are not an exact science. Second, defense spending today is relatively low in historical terms when measured as a percentage of GDP. Third, inflation continually saps DOD's buying power, so defense spending increases are not as mighty as they appear. Fourth, the "4 percent for defense" plan has percolated among policymakers like Robert Gates and within think tanks for years. Fifth, the transmission mechanism that moved the plan from defense policy ether to Romney platform was presumably Senator Jim Talent, a top Romney defense advisor (and SecDef frontrunner, rumor has it) who has been hot on the plan for years. (Those interested in a deeper discussion of the recent evolution and potential weaknesses of the "defense spending and GDP" approach might read my 2008 essay in Parameters).

The candidates fundamentally disagree about how much it will cost for the U.S. military to maintain its global preeminence, and about how much preeminence is enough. Romney's plan would reduce strategic risk by buying more ground forces, fighter aircraft, naval ships, satellites, and all the rest. As I argue in a new essay, the Obama administration has struggled to communicate effectively about the risks of budget cuts. It has exaggerated some risks in order to deter sequestration, but it has also downplayed some risks to reassure allies and the American public in an election year. The ambiguity has allowed Romney to draw a contrast. His plan wouldn't eliminate risk completely because that's impossible. But it does force policymakers to ponder whether they want to spend more to reduce risk.

In the broadest sense, Romney's plan is affordable if the necessary political decisions are made. Policymakers chose the current mix of taxes, entitlements, and discretionary spending. They can make different choices in the future. Romney hasn't explained how exactly he would pay for \$2 trillion in additional defense spending. His plan doesn't look realistic under the current status quo, and Obama is justified in calling him out on it. But the debate shouldn't only be about the arithmetic of the status quo. It should be about choosing America's role in the world and deciding which candidate has the leadership ability to bring that choice to fruition.

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