

The Intelligencer

Cutting Waste in Defense Spending

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A report, authored by McKinsey consultants for the Defense Business Board, a Department of Defense advisory body consisting mostly of corporate executives, estimated that the Pentagon could save \$75-150 billion over five years by becoming more efficient and using the savings to pay for combat forces.

According to the Washington Post, Pentagon officials feared that the report, ambitiously titled “*Transforming DoD’s Business Processes for Revolutionary Change*,” would offer ammunition to those demanding military budget cuts, so they prevented its publication. Of course, it leaked.

The report estimates the whopping number of contractors — over a million — that the Pentagon pays, which is news in itself. But it’s not news that there’s excess overhead in the Pentagon. It employs too many generals with too much staff. The civilian-to-military personnel ratio is historically high, and no one is sure what all the contractors are doing. The portion of the budget going to operational and maintenance costs has risen, even as force structure has shrunk, partly due to increased administrative and managerial support for combat units.

But the Defense Business Board Report isn’t much help. It says the Pentagon could save \$46-\$89 billion by “*optimizing*” contracts, without explaining why they are suboptimal now. It sees another \$5-\$9 billion in savings from information-technology efficiencies, though IT efforts at big agencies have a poor track record. Another \$23-\$53 billion in savings comes from business-process reforms, like “*hybrid business process innovation and agility centers*,” as if the problem was a deficiency in trendy adjectives.

The most concrete recommendation is “*labor force optimization*”—reducing civilian and contractor personnel. That’s not a bad idea, but the report doesn’t tell us who the wasteful personnel are. It settles for banalities, like “*review organizational structure to identify and reduce areas of complexity and redundancy*.”

Budget cutters like to target waste because it means savings without sacrifice. Waste has no lobby or constituency, so you lose nothing and offend no one in hunting it. But true savings, even the efficiency sort where you do the same missions for less cost, don’t come for nothing. Efficiency savings include closing bases, combining or shuttering combatant commands, cutting a nuclear-weapons delivery system, lowering personnel costs and the like.

Bigger savings require going after the Pentagon's efficient pursuit of foolish goals — by reducing military missions. With fewer wars to plan and fight, we could have less force structure, build fewer weapons and pay fewer people. That means fighting more than waste.

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