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Waste, fraud, abuse and Trump

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Prior to attacking intelligence assessments on Russian hacking and meeting with Kanye last week, the president-elect went on a bit of a defense jag. Monday, @realDonaldTrump bashed Lockheed's F-35 joint strike fighter program for its "out of control" price-tag. He said the same of Boeing's Air Force One replacement. Saturday, he vaguely tweeted his approval for a Washington Post story claiming that the Pentagon "buried evidence" that it wastes \$25 billion a year. Sunday, on Fox News, Trump criticized both aircraft and implied that their excessive cost results from a corrupt practice: the revolving door, where officials manage weapons programs and then go work for the manufacturer.

Trump's tweets temporarily lowered defense contractors' stock prices, prompting speculation that he's paying CEOs back for criticism, or worse. But Trump's comments aren't new. He attacked the F-35 during the campaign. He claimed that he could fund a massive military buildup by "conducting a full audit of the Pentagon, eliminating incorrect payments, reducing duplicative bureaucracy, collecting unpaid taxes and ending unwanted and unauthorized federal programs." He promised to "balance our budget," by eliminating "waste, fraud and abuse" in the federal government. He repeatedly suggested that corporate interests — pharmaceutical, oil, finance and defense companies, have hijacked government and added to its cost.

Trump's views on Pentagon waste then seem less whim than an outgrowth of his approach to public policy. Does that mean Trump is set to "crack down" on Pentagon spending, "make war on the defense industry" or take on the "military-industrial complex?" There are several reasons why the answer is not really.

One is Trump's appointments. As in other areas, they conflict with his campaign rhetoric. Trump famously said he knows more about ISIS than the generals, but seems inclined to defer to those that he deems "his." That's especially true of his Secretary of Defense pick, retired general James Mattis, who has mostly conventionally hawkish views on military spending. For example, he repeats the false claim that sequestration, which only occurred once since the 2011 Budget Control Act, in 2013, annually slices the defense budget across the board. He even called sequestration a bigger threat than any U.S. enemy, while testifying in favor of a military spending boost. Mattis casts doubt on Trump's commitment to defense reform in another way: he raced through the revolving door, going to work for General Dynamics upon his retirement from military service in 2013.

Another reason to doubt that Trump can successfully mine “waste, fraud and abuse” for savings is that it’s mostly fool’s gold. Fraud and abuse amount to small potatoes in Pentagon terms. Waste is tough to cut because people disagree on what it is. One man’s waste is another’s (usually a committee chair or undersecretary) vital national security program. Going after waste requires political fights for which Trump seems unprepared.

My point isn’t that we should buy F-35s or be content with growing overhead costs in the military. The point is that saving money there is more a political challenge than a managerial one, especially the sort solved by attacking overlap or graft. Yes, there are procurement abuses facilitated by revolving doors. But closing them wouldn’t have helped F-35. Like most problematic acquisition programs, its troubles are belief in false economies of scale gained by joint production and an acquisition system that produces excessive requirements and incentives for premature production. That system reflects the will of Congress and the military services more than that of the contractors they hire.

Yes, the Pentagon suffers from subpar accounting. But that’s largely because it’s a confederation of services and offices with their own systems. Better record-keeping will highlight excessive spending, not stop it.

Yes, there’s duplication galore in the Pentagon. The Navy’s ground force duplicates the Army in many ways, for example. But Congress is not about to abolish the Marines. And that sort of redundancy usefully offers alternative solutions to military challenges. It also allows bureaucratic competition, which can produce some of the disciplining effects that market competition provides in the private sector.

The best way to target Pentagon inefficiency is to cut its topline. The budget should remain capped, ideally at a lower level, with the Overseas Contingency Operations budget included under the cap. That would prevent it from being used as a bailout fund preventing hard choices. Lower budgets will encourage Pentagon leaders to target administrative costs to protect more important programs. The department’s drive for efficiency, which has run under the past four defense secretaries, began as last decade’s massive military buildup waned. By promising a military buildup, Trump is closing off the best path to the efficiencies that he claims will fund it.

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