

Experts Say Romney's Defense Plan Doesn't Add Up

Jun. 17, 2012 - 01:33PM |
By KATE BRANNEN

Republican presidential candidate Mitt Romney promises to increase defense spending by close to \$2 trillion over the next 10 years. But his plans have people asking: where would the money come from? Romney says he would reverse the defense cuts mandated by last summer's Budget Control Act, but more importantly, he has set a goal of raising the Pentagon's base budget to a floor of 4 percent of the U.S. gross domestic product (GDP). That's .7 percentage points higher than President Barack Obama's fiscal 2013 budget proposal.

Yet combined with his commitment to cut taxes and reduce the national debt, Romney's pledge to grow the defense budget appears politically impossible, if technically doable, according to defense budget experts.

"If you put all of the promises together, it doesn't all add up," said Todd Harrison, a senior fellow for defense budget studies at the nonpartisan Center for Strategic and Budgetary Assessments.

"The administration may change, but the math remains the same," Harrison said. "If you want to increase spending on defense over the next decade and reduce the deficit, then that necessarily means sharp reductions in Social Security, Medicare and Medicaid or sharp increases in taxes, or some combination of the two. But those are the major components you have to work with within the budget."

Over the past decade, the U.S. government borrowed to increase spending, including money to fund the wars in Iraq and Afghanistan and larger base budgets at the Pentagon.

With the national debt now surpassing \$15 trillion, spending money without finding offsets elsewhere in the budget is no longer viewed as responsible. “I think with any discussion of major increases to any aspect of federal spending at this point, you have to say what the offset is,” said Michèle Flournoy, who until recently served as President Obama’s undersecretary of defense for policy. “You have to say what you are cutting instead. Are you increasing revenues to do that?” Given Romney’s campaign promises to cut taxes for individuals and corporations, raising taxes to pay for more defense spending is not an option. He also has signed the No Tax Pledge, sponsored by Americans for Tax Reform, which was founded by anti-tax advocate Grover Norquist.

Democrats such as Sen. Carl Levin, chairman of the Senate Armed Services Committee, are demanding Romney explain where the money would come from if taxes are off the table.

“He should not be allowed to get away with some answer like he’ll go for efficiency and cutting waste,” Levin said at a June 12 news conference. Romney supporters and advisers say the plan is to grow the defense budget gradually, and that the extra spending would be made possible through overall improvements to the economy — which would generate more revenue — and entitlement reform.

“It’s envisioned to be a very gradual process,” one Romney adviser said. “Theoretically, as you grow the economy and grow the number of people paying into it rather than taking out, like with unemployment, the money frees up to do some of these things.”

However, budget experts caution that improving the economy mostly lies outside of the control of the president, and cannot be relied upon to carry out other priorities.

As for entitlement reform, Romney has signaled the need for it, but has mostly put forward broad policy prescriptions.

“He has not yet put forward any detailed plan on Medicare that tells you how he’s going to wring enough money out of it in order to pay for his defense plus-up,” said Gordon Adams, who oversaw defense budgeting at the White House’s

Office of Management and Budget during the Clinton administration. "They don't want to specify those, because they don't want to lose the senior citizen vote."

Romney's message on military spending could pick up votes in key swing states, which have a strong military and defense industry presence, such as Virginia, Ohio, Florida, Colorado, North Carolina and Nevada. Yet his pledges are not changing expectations in Washington, where the Pentagon is preparing for spending cuts that could total \$1 trillion.

"Industry is not planning for any kind of windfall in defense spending under any kind of circumstance, because of the country's fiscal picture," a retired senior military official said.

"I think industry is very realistic about the world we live in," the retired official said. "Absent a compelling change in the external threat or a serious internal event, I think people understand that we're dealing with a relatively flat budget."

Campaign Promises Romney advisers make clear that his promise to reverse defense cuts and raise the Pentagon's base budget to 4 percent of GDP isn't expected to take place during the first year of a Romney White House.

"It's going to be a gradual growth," said Dov Zakheim, a Romney adviser who served as Pentagon comptroller from 2001 to 2004 under President George W. Bush. "When the economy expands, you're in a better situation to increase defense spending."

Knowing when this growth would start, and just how gradual it would be, would help pinpoint the amount of money being proposed.

If the Pentagon immediately began spending 4 percent of GDP in fiscal 2013, the base Defense Department budget would jump from the \$525 billion proposed by Obama earlier this year to \$637 billion, according to Harrison, who used the Congressional Budget Office's (CBO) January projections for GDP.

From 2013 to 2022, that would add up to \$2.3 trillion of additional spending.

If the budget gradually increased to ramped up 4 percent of GDP over four years, or one presidential term, it would result in \$2 trillion in additional spending over the same 10-ten year period, Harrison said.

If gradually increased over eight years, or two presidential terms, it amounts to a pledge of close to \$1.8 trillion.

This assumes that today's projections for how fast the economy would grow are valid.

However, the Romney plan assumes the economy is going to grow faster than projected if he is elected president.

Taking this into account, Byron Callan, a defense analyst at Capital Alpha Partners, crunched the numbers, adding 1 percentage point to today's GDP growth rate to represent the stronger economy Romney promises.

The result is a defense base budget that grows to \$740 billion by 2016, \$805 billion by 2018, and \$890 billion by 2021.

In the Pentagon's 2011 budget request, crafted by then-Defense Secretary Robert Gates before any of today's budget cuts were enacted, defense spending was projected at \$668 billion in 2021.

The Push for 4 Percent Chris Preble, vice president for defense and foreign policy at the libertarian Cato Institute in Washington, said part of the reason this proposal seems so out of step with today's budget reality is that it was conceived in 2007, when the Heritage Foundation, a conservative think tank in Washington, began a campaign called "Four Percent for Freedom."

"At the time, the delta between what that would have been and what we were planning to spend was not huge; it seemed perhaps even reasonable," Preble said.

However, because of recent efforts to reduce the deficit and the cuts mandated by the Budget Control Act, that gap has widened significantly.

Preble said the size of this defense commitment is causing tension within the Romney campaign.

“My understanding is that the money people are not on board with this,” he said. “They just think it should not be done and cannot be done without reneging on another key commitment.” In a campaign, there is always tension between the candidate’s policy teams, said Adams, who worked as an adviser on the 2008 Obama campaign. “I am certain, based on history, that the budget folks are being driven crazy by these commitments, thinking, ‘How are we going to make this work?’” Romney advisers acknowledge that today’s fiscal reality could make it difficult to realize the 4 percent goal.

“The landscape changes over the weeks and months from when you lay out these very broad policy points to when you’re actually in power and making it happen,” a Romney adviser said. “You have to be cognizant of what the realities are, and that the goalposts do shift in any type of fiscal climate, especially one as volatile today.”

Setting defense at 4 percent of GDP serves to frame the conversation, said Robert Zarate, who serves as policy director at the Foreign Policy Initiative, a conservative think tank whose board is made up of Romney advisers.

“I think in the long term, it’s not an easy proposition to fulfill, although I think it’s an important thing to try to aim for, because there are a lot of programs at risk [in DoD],” he said.

“I don’t think anyone thinks the president by him or herself can change anything. Obviously, folks are aware that you need Congress,” Zarate said. “But you can change the conversation. Campaign statements reflect that. I think people are hopeful that a President Romney could change the conversation.”

Details Needed For Harrison, setting defense spending at 4 percent of GDP isn’t helpful because it’s an arbitrary standard, he said.

The base DoD budget has not been 4 percent of GDP since 1992, he said. During the administration of President George W. Bush, defense spending went from 2.9 percent of GDP in 2001 to 3.7 percent in 2009.

Over the past 20 years, the base defense budget has averaged 3.3 percent of GDP, according to Harrison said.

“What you spend on defense really should be a function of your security needs, and what you think the threat environment is and what you think you need to protect the country,” he said. “It shouldn’t be a formula based on the size of your economy.”

In addition to where the money would come from, analysts say more information is needed about how the money would be spent.

“What is the threat that requires more spending? That is what they need to articulate,” Harrison said.

The most tangible of Romney’s proposals is to increase the Navy’s shipbuilding rate from nine to 15 ships per year within the first 100 days he’s in office.

The campaign has not said what kind of ships it intends to buy, but analysts place the costs somewhere around \$5 billion for six extra ships in 2013.

It is difficult to imagine Congress approving a \$5 billion budget amendment early next year, Adams said.

Tom Donnelly, a defense analyst at another conservative think tank, the American Enterprise Institute, said the obstacles to increasing the defense budget have more to do with political will than affordability.

“It’s technically doable; not only can you make the two lines meet, but it’s also increasingly politically possible,” he said.

House Republicans are increasingly seeing the value of protecting the Pentagon and the U.S. military from broader efforts to shrink the government, he said.

“It’s more a traditional limited-government approach than it was last year,” Donnelly said. “The libertarian tide has ebbed.”

This could even extend to attitudes toward borrowing, he said. “It sort of depends on what you’re borrowing for.”

Preble disagrees with the notion that Americans would support increased defense spending at the cost of Medicare or larger debt burdens.

“I don’t see overwhelming public support for huge increases in military spending,” he said. “If anything, I see exactly the opposite.” According to a recent Gallup poll, voters are far more concerned about jobs, unemployment, the national debt, health care, political gridlock and immigration than about national security.

That politicians are making campaign promises that will be next to impossible to keep once in office should not be a surprise to anyone, Adams Gordon said.

“There are no facts in an election year,” he said. “Four percent of GDP is not a fact. Fifteen 15 ships a year is not a fact. They are campaign promises. They cannot be achieved in this fiscal environment, and the reason they cannot be achieved is because we are now in a universe where everything is on the table.”