

THE NATIONAL INTEREST

How to Pay for Wars

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The Obama administration says that it wants to discipline war spending using a cap: costs above a set level would require offsetting the spending cuts. This kind of cap on war spending could theoretically force policy makers to more carefully consider the trade-offs war requires, rather than deferring them with deficits. Unfortunately, the White House's proposal is legislatively doomed and full of holes that would prevent it from having any bite. The administration appears more interested in seeming economical than economizing. Like your common profligate, it wants to be frugal—but not yet.

A Placeholder for War?

As part of the rollout of its proposed fiscal-year 2013 budget, the White House suggests that Congress pass legislation capping spending on overseas contingency operations (OCO)—modern budget-speak for wars—at \$450 billion over nine years.

An important detail is that this cap isn't annual but rather is cumulative over nine years. Whenever annual OCO spending exceeds \$450 billion, that excess spending counts toward the annual caps set through 2021 by the Budget Control Act, the deficit-reduction deal passed last summer. The act enforces caps by making spending bills that exceed them trigger sequestration, which automatically cuts spending across accounts to cover breaches. The deal also changed Congressional rules to make it harder to pass those spending bills into law.

If the United States withdraws from Afghanistan as planned and starts no major wars, it probably won't reach the cap. But if U.S. forces stay in Afghanistan beyond 2014 and begin a protracted war with Iran, we would likely hit the cap within a few years. Under the proposed law, Congress could then fund wars by cutting an equal amount from another part of the budget or by calling the excess an "emergency," a spending category that the administration wants to keep exempt from caps.

The White House seems to have derived the \$450 billion figure from a "placeholder" budgeting device rather than from estimating the likely costs of war. The Office of Management and Budget, when estimating future spending, has lately used \$50 billion as a placeholder for war costs in every year in the future beyond the next. The administration has continued this practice within their war cap, except they have reduced future years to adjust for the FY13 OCO request, which would allocate \$88.5 billion for the military.

No Wars, Only Contingencies

If the administration truly wants to exit Afghanistan in the next few years, why not budget nothing for OCO in years 2015 and beyond? One answer might be that we should make an allowance for any new wars that might occur. But some contingency funding is available in the base (nonwar) military budget. Last year, for example, the Pentagon found the \$2 billion needed to pay for the U.S. military role in Libya without asking Congress for supplemental funds. OCO budgets should be reserved for extraordinary emergencies. Otherwise, they become a Pentagon slush fund.

That is exactly what the administration says that its war cap avoids.

The Budget Control Act caps discretionary spending but excludes war costs. That makes war appropriations an off-book haven for defense programs trying to evade caps. As the White House notes in its budget-justification materials, that circumstance "could allow future Administrations and Congresses to use [OCO] . . . to evade the fiscal discipline that the BCA requires elsewhere." It's not just future administrations that face that temptation though. The current administration acquiesced last year as the Congress shifted about \$7 billion of what was nonwar Pentagon funding into the OCO account to get under the

spending cap. This year, they propose moving at least \$4 billion in “temporary end strength” costs into the war account. They claim this is the cost of the portion of the army and Marine Corps personnel that can be retired now that one war has ended and the other is shrinking but that remain in the force for the coming year to allow time for the drawdown.

But those forces are not devoted exclusively to the wars, so the shift smacks of an attempt to game the cap. Many other budget lines could, in the future, be attributed by similarly arcane logic to war costs. The White House is already doing exactly what it says its war cap should prevent.

Paying for the Wars

Done right, spending caps would improve national decision making about war. Because American wars have broadly distributed and often obscured costs, the public and Congress have little incentive to carefully consider their consequences. Leaving aside the volunteer military, the only cost of war for most Americans is marginally higher taxes. And deficits subsidize war costs, diluting their effects on current voters.

This circumstance lets us make war almost casually. Most other public policies have more concentrated and thus tangible cost. Environmental regulations, for example, provoke complaints from the businesses that bear much of their cost. With environmentalists on one side and regulated businesses on the other, you get a fuller debate.

A war tax, which Congress traditionally used to fund wars, would concentrate the cost of wars and serve as a disincentive to use the military recklessly. Like natural disasters, wars are hard to predict, but they are the sort of thing citizens should readily finance. This could be done through an income surtax, a device that is particularly appropriate when spending caps are in place to contain government spending. A surtax for emergency spending outside of the caps keeps it from adding to the deficit.

Spending caps can create similarly beneficial effects by forcing war spending to be paid for out of other government programs, including the Pentagon base

budget. That prospect encourages those programs' advocates to oppose war. Debate improves, and the public considers trade-offs more carefully.

War and the Public Interest

Unfortunately, the White House's proposed war cap would fail to produce the benefits of a war tax or an effective cap. For one, it is unlikely to become law. The White House has shown little interest in pushing for it. Meanwhile, Republicans are already bashing the president for possibly shortchanging troops amid a war. And even if it does become law, the cap is unlikely to matter. By the time the cap has any effect, economic recovery may have slackened Congress's appetite for austerity. With the president's support, Congress may undo the cap or evade it by claiming an emergency, especially if any new war has begun. The bottom line is that there is no effective fiscal restraint here.

As is often the case, the promise of savings tomorrow serves mainly to distract us from their absence today. If the White House wanted thrift rather than its appearance, it would push an annual war spending cap.

That cap should be low enough so that uncapped funds cover only the initial operating expenses of war while Congress decides how to fund the rest. Funds above the cap would have to be offset by spending cuts or taxes. If that seems too restrictive, bear in mind that if a sufficiently dire circumstance occurs—think World War II—we can always change the law.

That policy would give the taxpaying public a greater interest in determining whether initiating or extending a war is wise. Spurred by its constituents and the interest groups they form, Congress would then have to take its constitutional responsibility to authorize and fund war more seriously. Like most people, nations don't properly consider the value of something until they have to pay for it.

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