

THE NATIONAL INTEREST

Panetta vs. Obama

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Secretary of Defense Leon Panetta's hysteria about military spending cuts is undermining Democrats' leverage in budget negotiations with Congressional Republicans. Consider Panetta's rhetoric about cuts and how it impacts current spending negotiations.

Secretary Panetta has fast proven willing to say almost anything to defend his department's budget from any cuts beyond what the White House supports, which [amounts](#) [3] to little more than a freeze in military spending. Panetta has [overstated](#) [4] the size of military spending cuts underway, [invented](#) [5] statistics on likely job losses from those cuts, and [exaggerated](#) [6] security threats. He even [condemns](#) [7] the post-Cold War drawdown that he helped manage during the Clinton Administration, failing to mention that it amounted essentially to giving back the Reagan buildup and left a military that proved plenty capable for the wars that came.

Last week Panetta claimed that sequestration of Pentagon funds would "[invite aggression](#) [8]" from America's enemies. He [failed](#) [9] to note that it would pare our military budget by about nine percent beyond the mild cuts already on order, returning us to roughly 2007 levels. Evidently Panetta is privy to intelligence revealing that one of our enemies is deterred by a \$650 billion military but willing to take a shot against a \$600 billion version.

This week the Secretary answered Senators John McCain (R-AZ) and Lindsay Graham's (R-SC) request for details on the consequences of sequestration with a letter claiming that it would force him to cancel most of the services' critical procurement programs. By cultivating the misperception that sequestration gives him no other options to save the needed sums, Panetta is employing the [Washington Monument ploy](#) [10], where you parry budget cuts by offering up the agency functions dearest to the public and its representatives. He also argued that sequestration would shrink the Air Force and Navy to a historically small number of platforms. What he left out is that the [capability](#) [11] gains make even

the shrunken force far more deadly than those of prior generations, let alone our paltry state rivals.

Understanding how Panetta's rhetoric helps Republicans requires a dive into the nitty-gritty of the [Budget Control Act](#) ^[12] passed in August. The BCA created the congressional Joint Select Committee on Deficit Reduction—the “Supercommittee”—charged with crafting a plan that cuts debt by \$1.2 trillion over ten years. If Congress does not pass their plan by November 23, the BCA sequesters funds in January 2013 from various accounts, including about \$50 billion from the Pentagon, and then caps defense spending at that lower level for ten years, saving about \$500 billion compared to current spending.

Chances are that the Joint Committee will fail to meet its goal. The White House and Congressional leaders are then likely to [negotiate](#) ^[13] next year on another budget deal that preempts the BCA before sequestration occurs.

Whether it comes through the Joint Committee or in Congress next year, any such deal might require Republicans to accept some tax increases. Much of the leverage Democrats have to force that capitulation comes by their threat to otherwise allow the sequestration of Pentagon funds, an outcome that outrages conservative hawks. The Bush tax cuts are scheduled to expire just as sequestration kicks in. The timing suggests a [bargain](#) ^[14] where Democrats spare the Pentagon from sequestration and Republicans let tax rates for the wealthy revert to higher levels.

Republicans are [already](#) ^[15] suggesting a rewrite of the BCA that replaces savings from Pentagon savings with cuts to entitlements or other domestic spending. If Republicans think that the White House will sign a deal of that ilk, they will not give on taxes. That is why both [President Obama](#) ^[16] and Senate Majority Leader [Harry Reid](#) ^[17] have suggested in recent days that they will not support legislation that protects Pentagon spending at the expense of domestic spending.

By trumpeting the horror of additional Pentagon cuts, Panetta encourages Republicans to believe that the President is bluffing. They can [throw](#) ^[18] Panetta's own words back at Obama and other Democrats up for election next fall, daring them to let the axe fall on the Pentagon.

Panetta is right that sequestration is a bad way to cut spending. It hits accounts equally, allowing only an exception for personnel. That prevents Pentagon leaders from saving essential programs and sacrificing the worst. And sequestration achieves its savings suddenly rather than easing adjustment by cutting gradually.

The White House could avoid sequestration without losing much negotiating leverage by getting the Pentagon to produce an alternative to sequestering its

funds that saves an equal amount by making [strategic choices](#) [19]. Republican hawks would still feel pressure to raise taxes to avoid those cuts while most Democrats and libertarian types would prefer that alternative to taxes. That seems like a good a scenario for the White House on both political and [policy](#) [20] grounds.