

POLITICO

The right way to cut wasteful defense spending

Instead of threatening defense contractors on Twitter, Trump should adopt a comprehensive plan to cut bloat at the Pentagon. Here's how.

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President-elect Donald Trump has made cutting wasteful defense spending a top priority, specifically targeting federal defense contracts. He called defense industry leaders to the proverbial woodshed to protest costly projects, including threatening on Twitter to cancel Lockheed Martin's F-35 Joint Strike Fighter and Boeing's contract to build two new Air Force Ones.

These tweets send a strong message, and both Boeing and Lockheed have said they intend to work with Trump to reduce program costs. But significantly reducing bloat in the defense budget will require much more than tweets.

It's a huge challenge, but Trump can draw on a set of policy proposals that enjoy broad, bipartisan support within the think tank community, including two letters signed by respected scholars from 16 institutions. They include eliminating excess overhead, modernizing the military's pay and benefits system and overhauling its weapons acquisitions process.

Such reforms will require support from Congress, no guarantee since most proposed changes target entrenched interests. But in just the few months since his election, Trump has shown how to use the bully pulpit against major defense contractors. If he uses the same tactics against wavering lawmakers, he could create a robust coalition that finally trims waste in the defense budget and modernizes the military.

Trump made a smart choice in selecting South Carolina Congressman Mick Mulvaney to be the next director of the Office of Management and Budget. From that position, Mulvaney could impose the sort of budget discipline that he could only advocate as a member of Congress. Mulvaney knows about waste at DOD, and railed against the Overseas Contingency Operations slush fund that Congress created to evade the budget caps set by the bipartisan Budget Control Act. He should also be skeptical of claims that the Pentagon needs bigger budgets to fulfill current missions. After all, American taxpayers spent over \$600 billion on the military in 2016, more than was spent, in inflation-adjusted dollars, during a typical year during the Cold War.

What would a smart plan to eliminate wasteful and unnecessary military spending look like? A number of think tanks, including Cato, where I work, have put forward proposals, and they have a few consistent recommendations. First, Congress should close unneeded bases. Despite broad support from the most senior military officers for such a move, lawmakers have refused to allow

it. Members focus on parochial concerns, such as jobs lost, and the negative economic impact on surrounding communities. They should consider the many cases in which former military facilities were converted to more productive uses, such as Philadelphia's Navy Yard or the Brunswick Naval Air Station in Maine, not to mention the national interest in a more effective defense.

Base closures will help the Pentagon tackle another vexing problem: A civilian workforce that has grown too large relative to the number of men and women serving on active duty. The Pentagon now employs some 60 civilians for every 100 uniformed personnel, the highest ratio ever. And the civilian contractor workforce is nearly as large and obscures the extent of the Pentagon's back-office bloat.

Reforming the military's pay and benefits system would also reap long-term savings and bring a woefully out-of-date system into the 21st century. The Military Compensation and Retirement Modernization Commission noted that today's young people have different expectations than earlier generations accustomed to long-term employment and private-sector pensions. The commission focused mostly on maximizing value for the troops, but the Trump administration should also take exploding costs – up 76 percent per service member in inflation-adjusted dollars from 1998 to 2014 –into account when it crafts an alternative.

Lastly, if reforming procurement turns out to be Trump's hobby horse, he shouldn't expect a Congress full of yes men. Very few people dispute that the Pentagon spends a lot of money on hardware, but everyone disagrees on how to get more bang for the buck. Congress often forces the Pentagon to buy weapon systems it doesn't need or want. Then, on top of that, the process used to determine the requirements for new weapons, and the regulations imposed on delivering them, leads to rampant cost growth. Trump should look into easing regulations and, as his tweets imply, demand strict accountability on costs.

Tackling waste when budgets are rising is hard and may be impossible. This is true of any enterprise, but it's especially true at the Pentagon, which doesn't have to balance – or even audit – its books. For all his talk of streamlining military spending and despite his threats to defense industry executives to do better, Trump will not dislodge the status quo through bluster alone.

If he is truly committed to improving the Pentagon's business practices, he should embrace necessary but politically difficult reforms and reconsider his pledge to boost Pentagon spending. These actions will be far more effective at driving change than his many tweets could be.

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