



Cutting Through the Rhetoric on Defense Sequestration

By Veronique de Rugy, [Benjamin H. Friedman](#) | 06 Jan 2012

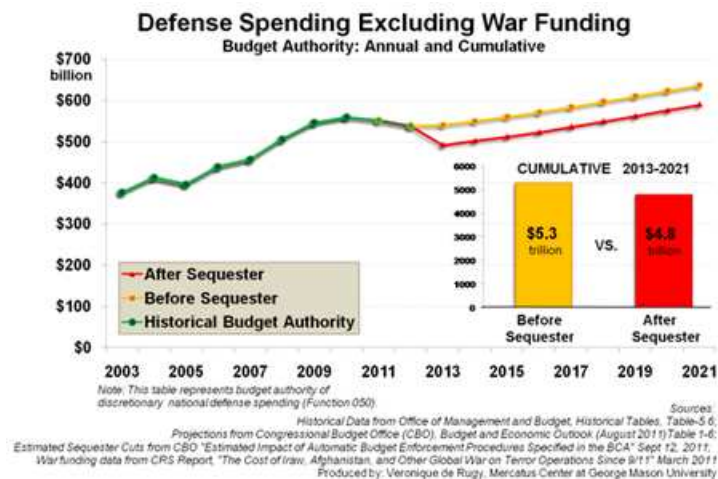


The prospect of \$500 billion in cuts to the U.S. defense budget from 2013-2021 has Washington in a panic. In unveiling a barely updated military strategy yesterday, Secretary of Defense Leon Panetta repeated his warning that such cuts would lead to a “demoralized and hollow force.” One of his deputies has called the cuts the equivalent of “self-castration.” Sen. Lindsey Graham of South Carolina recently warned that the cuts will “destroy” the Department of Defense.

We should not allow those claims to scare us into letting the Pentagon off the hook. The cuts, which come courtesy of the deficit deal -- the Budget Control Act -- [passed by the U.S. Congress last summer](#), would indispose the Pentagon, not destroy it. And budget negotiations next year are likely to largely prevent the cuts from occurring at all. That’s too bad, since the Pentagon budget [could safely lose at least that amount](#) if cuts are made intelligently.

The Budget Control Act created the bipartisan supercommittee tasked with finding savings of \$1.2 trillion over 10 years, which Congress was then to enact by the end of 2012. Because the supercommittee failed to reach an agreement, the act’s built-in trigger imposes an alternative path to those savings: budget caps enforced by the elimination -- “sequestration” in budgetspeak -- of any spending above the sought-after mark. Half of those savings are to come from defense spending. Once adjusted for lowered interest payments on debt, as the law instructs, that amounts to an annual hit of about \$54.7 billion relative to current administration plans.

In August, the Congressional Budget Office projected that national discretionary defense spending -- 96 percent of military spending outside of operations in Iraq and Afghanistan -- would cost \$5.3 trillion over the 2013-2021 period. That is the spending trajectory that the White House and its updated strategy supports. After sequestration, that spending will instead total \$4.8 trillion, a difference of less than 10 percent. In nominal terms, sequestration is not even a cut; it would see nonwar military spending grow by about 10 percent from today, as opposed to the 18 percent the administration wants.



Adjusting for the CBO’s predictions for inflation, sequestration would allow the military budget to remain almost flat. The process would leave the 2021 Pentagon with purchasing power equivalent to what it had in 2006, leaving out the wars. That would be a bigger budget in real terms than what the U.S. spent on the military at the height of the Cold War.

Moreover, these numbers probably overstate the magnitude of sequestration. They assume that the alternative to sequestration -- as expressed by the CBO’s August projection -- would not have included any additional military cuts. But if the supercommittee had reached an agreement, hence avoiding sequestration, some military cuts would likely have been included. That means the relative effect of sequestration is even smaller.

It also ignores Pentagon expenses masked by war. Because the Budget Control Act leaves war spending uncapped, Congress can effectively take defense programs off the books, evading caps by declaring them to be war-related. Already, the defense appropriation for 2012 includes that gimmick, and it can be expected to continue as long as the Budget Control Act is in place and there are wars to fund.

None of this is to say that sequestration is a good way to cut defense spending. One problem is that it is sudden, achieving most of its

savings precipitously between 2012 and 2013 and then letting spending flatten out. Bureaucracies find sudden change harder to adapt to than gradual change.

Worse, the sequestration process prevents intelligent spending cuts. It slices proportionally from all military accounts, except for personnel costs, which the president can elect to exclude from cuts. That prevents prioritization -- cutting less important missions and programs to fully fund more critical ones.

Of course, these problems are not accidental. The Budget Control Act essentially took the Pentagon hostage by holding the knife of sequestration to its throat. The whole point was to use the threat of sequestration to encourage Democrats to agree to domestic spending cuts and Republicans to agree to tax increases. The supercommittee's demise merely shifted the negotiating arena to the full Congress, while resetting the timer.

According to the Budget Control Act, sequestration will not occur until January 2013. The Bush tax cuts are scheduled to expire almost simultaneously. Before then, with the president's signature, Congress can always undo previously passed legislation, including the Budget Control Act and sequestration. That makes the upcoming bargaining terrain predictable. Over the coming year, Republicans will demand that the Pentagon be spared from sequestration and that domestic spending be cut instead. Democrats will insist that they will agree to cancel sequestration only if Republicans agree to tax increases. One way or another, though, the Pentagon seems likely to avoid the full brunt of sequestration.

This is a shame, because there is a better option than letting defense spending off the hook in exchange for tax increases. If the military were to agree to come up with a 2013 defense budget that spends \$492 billion or less -- the amount it would have after sequestration -- it could avoid sequestration while allowing defense officials to choose which programs to cut. Under this scenario, the administration could ask Congress to alter the Budget Control Act to spread the planned savings over time, avoiding a sudden bite.

The extra time could be put to good use identifying not just which programs to cut, but how to reform strategy accordingly. Such a strategic shift could allow the Pentagon to achieve savings equivalent to sequestration while avoiding its worst features, and might even improve American security in the process. Unfortunately, given the cultivated hysteria about defense sequestration, those are discussions that we are unlikely to have.

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Photo: Leon Panetta, June 30, 2011 (U.S. Department of Defense photo).