

## A Hollow Reform Agenda

By: Gary Schmitt and Thomas Donnelly – July 22, 2013

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In 2012, the Department of Defense spent a total of \$651 billion, including the costs of fighting in Afghanistan. According to the budget plan submitted by the White House a few months ago, projected 2014 spending will be \$547 billion. If, as seems nearly inevitable, the “sequestration” provision of the Budget Control Act is triggered, that figure will fall below \$500 billion, a loss of more than 20 percent in just two years.

The catastrophic collapse of Pentagon buying power has sparked renewed interest in defense “reform,” a notion that most often boils down to “efficiencies” and savings rather than improvements in combat effectiveness. Alas, no conceivable amount of reform can possibly make up for the deep cuts in recent years—or even the losses that would result from sequestration. The numbers simply don’t add up.

Take, for example, the “consensus” reforms recently touted—including by one of us—in a bipartisan letter from several dozen senior defense analysts. It began with the observation that the “growing imbalances in the defense budget” imperil “the health and long-term viability of America’s volunteer military,” and agreed on three important elements of reform: the need to close excess bases, reduce the size of the civilian workforce, and limit the growth in cost of military compensation, particularly health care.

Since the end of the Cold War, the Defense Department has been ridding itself of unneeded bases and infrastructure almost as fast as possible. A lot of those reductions have been in Europe, but there have been several rounds of domestic closures and “realignments,” most recently in 2005. The stateside closures have required Congress to adopt an all-or-nothing set of procedures lest individual members seek exceptions for local installations.

Overall and in the long haul, these closures do save money. But the payback period is long and the process of closure imposes huge upfront costs. Back in 2005, the Base Realignment and Closure Commission estimated that the “implementation costs” of its recommendations—that is, the expense of moving people and agencies from old bases to new ones, environmental restoration, and the like—would require an additional \$21 billion outlay. Last year, the Government Accountability Office reported that the cost had risen to \$35.1 billion, thus reducing the anticipated savings by 72 percent. In other words, the real expense of the U.S. military comes from its size, not its location.

Which brings up the question of the defense civilian workforce. Reformers note that the workforce has grown during the post-9/11 wars, by 17 percent, while the active-duty military grew by just 3.4 percent. That’s really a measure of Bush administration policy—believing that they would not need to do large, post-invasion “nation-building” or counterinsurgency missions—to avoid adequate active-duty increases and rely heavily on National Guard and reserve forces. It’s the minuscule military increase that’s the relevant number.

And reformers don't know much about whether these civilians are doing useful work or not. A paper by Christopher Preble and Benjamin Friedman of the libertarian Cato Institute, for example, simply advocates a 30 percent manpower cut to achieve a 10-year savings of \$105 billion. In other words, a \$10 billion-per-year cut, just one-fifth of the amount lost through sequestration. Real money, to be sure, but not nearly enough to solve the Pentagon's problem.

But the shiniest beer-can top in the defense reform pond is the idea of limiting military personnel benefits. As Arnold Punaro, a retired Marine general, former adviser to Sen. Sam Nunn, and driving force behind the compensation reform proposals of the Defense Business Board, likes to say, the military is becoming "a benefits company that occasionally kills a terrorist." And it's true that the Pentagon has a real "entitlements" problem, in which health care costs, now about 10 percent of the defense budget, inexorably eat away funds for training and procurement.

As with civilian entitlement reforms, the best one can hope for is to restrain the rate of growth for the future; as Punaro also knows, and Congress has repeatedly reinforced in its annual authorization bills, taking away benefits from those now serving is a non-starter. Even the left-leaning Center for American Progress estimates that aggressive reform proposals in this area would net only \$12 billion in savings over five years.

In sum, when the budgetary puts and takes of the "consensus" reform proposals are calculated, the net savings over the next decade—the period covered by the budget act and sequestration—vanish. The small savings to be had from even the most optimistic workforce reductions and compensation cuts probably will be offset by the expense of base closures.

This is not to suggest that these reform proposals should be ignored. The metastasizing costs of health benefits, in particular, will eventually have the effect Punaro predicts—and sooner rather than later, as the overall defense budget falls. But no budgetary efficiencies can make up for the cuts now already in law and the resulting hollowing-out of the American military.