

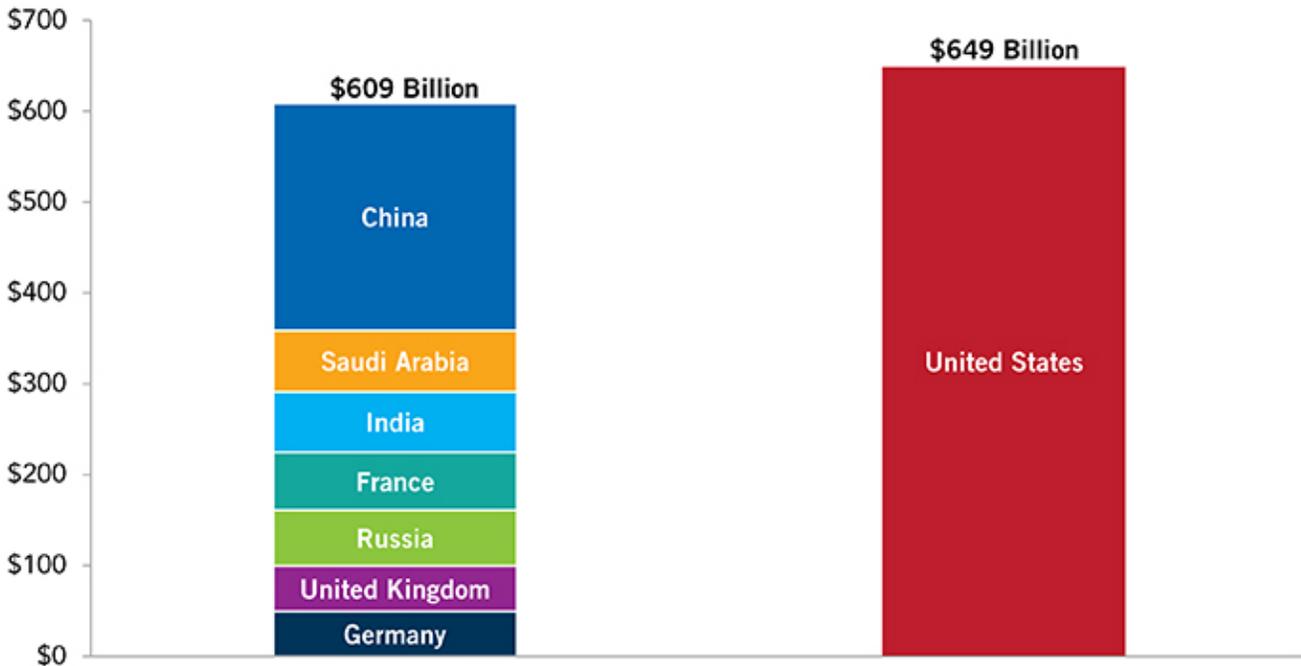
National Security Solutions

“The single greatest threat to our national security is our debt.” –Admiral Mike Mullen, former chairman of the Joint Chiefs of Staff

National security is a vital priority and a fundamental responsibility of the federal government. Given those stakes, our defense strategy should drive budget levels, not the other way around. By making smart, strategic decisions about future national security requirements, policymakers can maintain our level of preparedness and maintain our superior military strength while also avoiding potential waste of precious national resources.

Defense spending is the largest single category of discretionary spending and accounts for about 15 percent of all federal spending. Consequently, any serious efforts to address America's long-term fiscal challenges will have to consider reforms to defense.

DEFENSE SPENDING (BILLIONS OF DOLLARS)



SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2019.

NOTES: Figures are in U.S. dollars, converted from local currencies using market exchange rates. Data for the United States are for fiscal year 2018, which ran from October 1, 2017 through September 30, 2018. Data for the other countries are for calendar year 2018.

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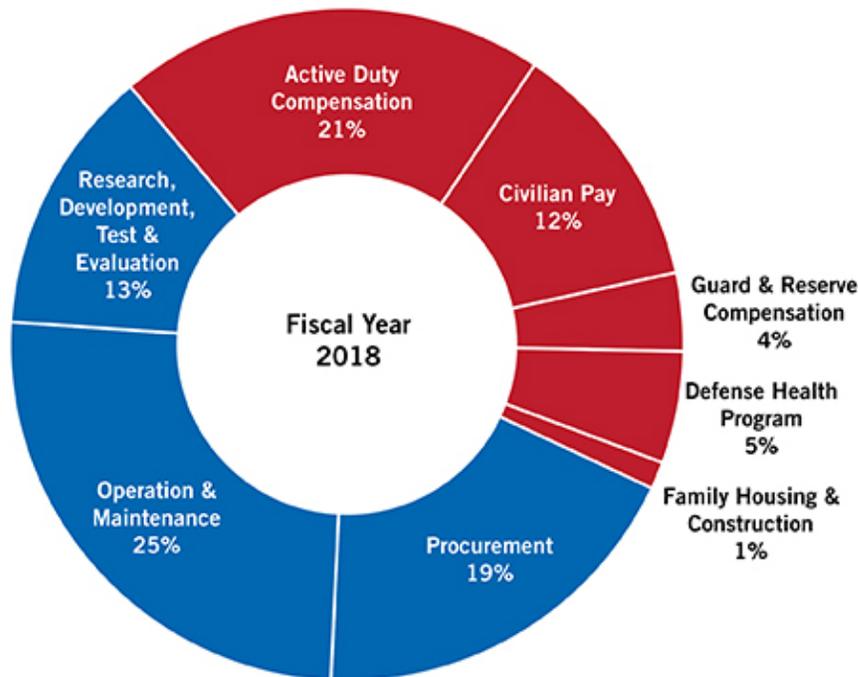
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In 2016, the Coalition for Fiscal and National Security — a group of former senior government officials led by Admiral Mike Mullen, former chairman of the Joint Chiefs of Staff — issued a call to action on the national debt. The coalition wrote:

"Today, to be pro-defense must mean being pro-reform. America's national security budget requires updating and rebalancing in order to sustain our strong military posture and global leadership role."

Thus, a key question guiding the formulation of the defense budget should be: how to provide the right kind and sufficient number of resources and capabilities to fulfill strategic objectives without incurring an unacceptable level of risk? Answering that question implies a review of all sections of the defense budget, including: personnel and related expenses, which represent more than 40 percent of the current defense budget; procurement; operations and maintenance; and R&D, testing and evaluation.

Compensation and medical care make up more than 40 percent of the defense budget



SOURCES: Office of the Under Secretary of Defense (Comptroller), *Defense Budget Materials – FY2020*, May 2019. Compiled by PGPF.
NOTES: Data are based on actual outlays for FY2018. Revolving and management funds (\$2.8 billion), as well as trust, receipts, and other (\$-2.1 billion) are included above as part of operation and maintenance. The Defense Health Program and civilian pay are normally shown as part of operation and maintenance; however, those two categories are shown separately in this chart to provide a full picture of compensation in the defense budget. Numbers may not sum to 100 percent due to rounding.

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Policy Options

The Stimson Center, with support from the Peterson Foundation, brought together former military and diplomatic officials in a Defense Advisory Committee tasked with articulating a strategic framework that advances America's security interests while strengthening our fiscal and economic outlook. Defense experts have identified the following types of options:

Force Structure Modification to Reflect Strategic Priorities

At the heart of the Advisory Committee's recommended strategy is a more flexible U.S. presence around the world. This new strategy is rooted in the unprecedented agility, technological superiority, and global reach of modern U.S. armed forces — especially through naval, air, and space power. Ground forces would be deployed into combat far less frequently, and only with well-defined and limited objectives. With a smaller ground force, our troops could be regularly rotated through smaller bases in other countries without requiring as many expensive permanent bases as we have today. Such a strategy would allow us to maintain an ongoing presence in critical regions such as Asia, where our presence must remain robust, given the risks posed by North Korea's nuclear program and China's growing assertiveness in global affairs. But by maintaining a lighter footprint in other politically sensitive regions, the United States would also be less likely to exacerbate resentment among

populations that may be hostile to our presence.

Modernization Programs to Meet the New National Security Threats

Any new strategy should also be focused on addressing the true threats of today and those emerging in years ahead. We will need to increase spending in areas that can counter those threats, which now range from sophisticated terror attacks to cyber-attacks to any number of other, diffuse national security threats. This strategy will require a more modern, agile military that has the resources it needs for special operations forces, cyber-warfare and the basic and applied research and development that will keep our forces the most informed, best equipped and best trained in the world.

Management Reforms to Achieve Efficiencies in Personnel Policies and to Streamline Business Practices

There are ample opportunities for reducing overhead expenses and finding new efficiencies in the way we manage the Defense department. The military members of the Advisory Commission felt particularly strongly that the military has too much overhead — such as overspending on headquarters rather than on training, equipment, and war fighting. Examples of efficiency savings include measures such as reducing the number of defense contractors, eliminating unnecessary overhead and duplicative support staff, transferring more commercial jobs from armed forces personnel to others, and closing or selling underused or unused facilities.

Reforms to Compensation and Benefits

Many experts from across the political spectrum have also focused on the need to reform the system of military pay and benefits. In testimony before the House Appropriations Committee, former Defense Secretary Robert Gates said: “the Defense Department runs the risk of the fate of other corporate and government bureaucracies that were ultimately crippled by personnel costs, in particular, their retiree benefit packages.”

The sacrifices made by men and women in the military and their families go far above and beyond what most Americans can even imagine, and we have a corresponding obligation to provide for the needs of those who have sacrificed most. We must ensure that our wounded warriors have the best healthcare available. But most of the spending on our military health programs does not go to wounded warriors. Moreover, the gap between the health benefits provided by the private sector and the military has grown considerably. If changes are not made, the costs of those benefits will impose an even larger burden on future defense budgets. One problem: military retirees and their families pay only a fraction of what civilians pay for healthcare, which creates incentives for unnecessary and expensive care. We need to slow the growth of military health costs, maintain a reasonable quality of care provided to our service members, and ensure that this important health system remains financially viable for the long run.

Other options can be found the CBO report, *Options for Reducing the Deficit*.

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