Policy Analysis
No. 667 September 23, 2010

Budgetary Savings from Military Restraint

by Benjamin H. Friedman and Christopher Preble

Executive Summary

The United States needs a defense budget worthy of its name, one that protects Americans rather than wasting vast sums embroiling us in controversies remote from our interests. This paper outlines such a defense strategy and the substantial cuts in military spending that it allows. That strategy discourages the occupation of failing states and indefinite commitments to defend healthy ones. With fewer missions, the military can shrink its force structure—reducing personnel, the weapons and vehicles procured for them, and operational costs. The resulting force would be more elite, less strained, and far less expensive. By avoiding needless military conflict and protecting our prosperity, these changes would make Americans more secure.

Our proposed cuts total more than $1.2 trillion over ten years. Because our strategy will make conventional and counterinsurgency warfare less likely, we recommend cutting the end-strength of the Army and Marine Corps by roughly one-third. Fewer missions, along with advances in strike technology, would also allow a reduction of six fighter wing equivalents from the Air Force. Similar technological advances have greatly increased the destructive capability of naval platforms, and restraint requires fewer of them. We therefore propose the elimination of four carrier battle groups, four expeditionary strike groups, and a commensurate number of ships from the Navy. For reasons of economy that would hold even under the current strategic posture, we recommend deep cuts in nuclear weapons and missile defense spending. Additional savings can be obtained by reducing administrative overhead and intelligence spending, cutting military construction costs, canceling several weapons systems, and reforming the provision of military pay and benefits. We view these cuts as a kind of initial harvest of the strategy of restraint. Our recommendations are not meant to preclude consideration of deeper cuts.

Concern about deficits has prompted greater scrutiny of all federal spending. But the cuts here would be prudent even in an era of surpluses. The United States does not need to spend $700 billion a year—nearly half of global military spending—to preserve its security. By capitalizing on our geopolitical fortune, we can safely spend far less.

Benjamin Friedman is a research fellow in defense and homeland security studies at the Cato Institute and co-editor of US Military Innovation since the Cold War *(London: Routledge, 2009). Christopher Preble is director of foreign policy studies at the Cato Institute and author of* The Power Problem: How American Military Dominance Makes Us Less Safe, Less Prosperous and Less Free *(Cornell University Press, 2009).*

CATO INSTITUTE

Substantially reducing military spending requires reducing the ambitions it serves.

Introduction

The United States does not have a defense budget. The adjective is wrong. Our military forces' size now has little to do with the requirements of protecting Americans. The U.S. military is supposed to contain China; transform failed states so they resemble ours; chase terrorists; train various militaries to do so; protect sea lanes; keep oil cheap; democratize the Middle East; protect European, Asian, and Middle Eastern states from aggression and geopolitical competition; popularize the United States via humanitarian missions; respond to natural disasters at home and abroad; secure cyberspace; and more. The forces needed to accomplish this litany of aspirations can never be enough. Hence, neither can the defense budget. But the relationship between these objectives and the end they are supposed to serve—the protection of Americans and their welfare—is tenuous.

In fact, defining the requirements of our defense so broadly is counterproductive. Our global military activism wastes resources, drags us into others' conflicts, provokes animosity, drives rivals to arm and encourages weapons proliferation. We can save great sums and improve national security by adopting a defense posture worthy of the name.

Arguments about defense spending are arguments about defense strategy. What you spend depends on what you want to do militarily, which depends in turn on theories about what causes security. A more modest strategy—restraint—starts with the observation that power tempts the United States to meddle in foreign troubles that we should avoid.[1] Restraint means fighting that temptation. It would husband American power rather than dissipate it by spreading promises and forces hither and yon.

Restraint does not require cuts in military force structure and spending. It allows them. A less busy military could be a smaller and cheaper one. But though you can have restraint without savings, you cannot save much without restraint. Indeed, it would be a mistake to take up the force structure reductions recommended here without also adopting their strategic rationale. That would overburden the force without improving security.

Substantially reducing military spending requires reducing the ambitions it serves. Efforts to increase the Pentagon's efficiency—through acquisition reform, eliminating waste and duplication, or improving financial management—might save a bit, but these hardy perennials of defense reform have historically delivered few savings. The 50 percent growth in our military's cost in the last 12 years (adjusting for inflation and leaving out the wars) stems more from the proliferation of its objectives than from the way it is managed. We spend too much because we choose too little.

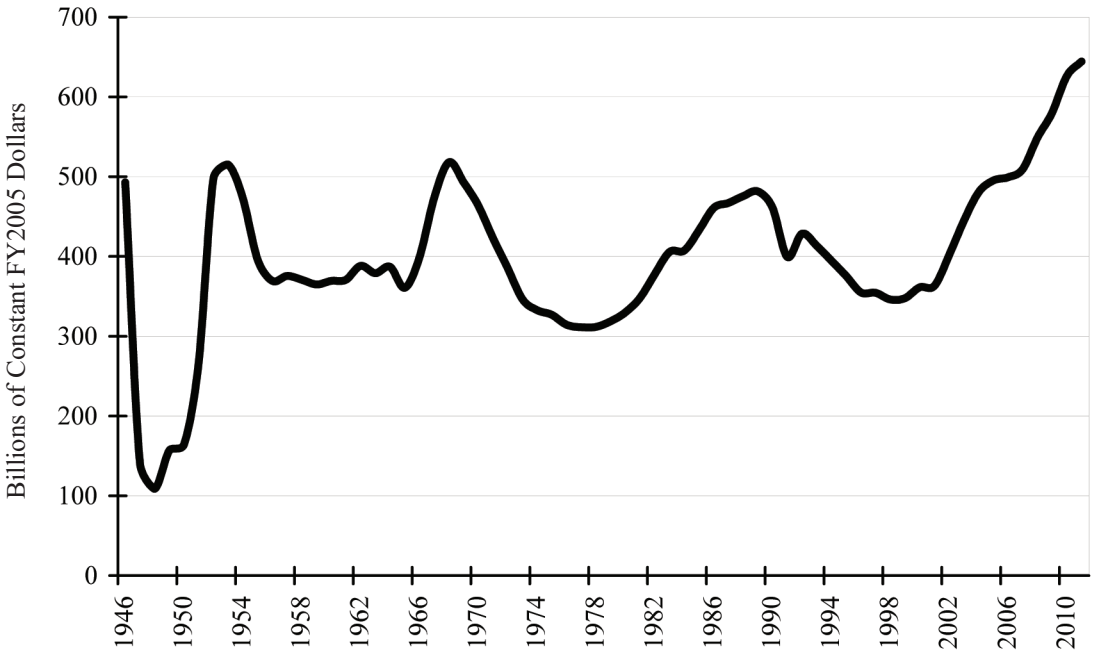
Rather than use efficiency gains to drive savings, we should cut spending to enhance efficiency. Market competition encourages private organizations to streamline operations. No such pressure exists in government, but cutting the top line and forcing the military services to compete for their budgets can incentivize them to cut costs.[2]

Embracing our Good Fortune

Our military budget should be sized to defend us. For this end, we do not need to spend $700 billion a year—or anything close. (On the growth in military spending, see Figure 1.) By capitalizing on our geopolitical fortune, we can safely spend far less. Below we briefly rebut the arguments generally employed to justify our current military spending.

Contrary to conventional wisdom, counterterrorism does not require much military spending. U.S. military forces are most useful in defeating well-armed enemies. Terrorists are mostly hidden and lightly armed. The difficulty is finding them, not killing or capturing them once they are found. The best weapons in that fight are intelligence and policing. The most useful military tools are relatively cheap niche capabilities: surveil-

Figure 1
U.S. Military Spending Since World War II



Source: The Budget for Fiscal Year 2011, Historical Tables, Table 6.1.

lance and intercept technologies, special operations forces, and drones.

Some contend that we can be safe from al Qaeda and other terrorist groups only by occupying and transforming the failed states where they operate. And so, countering terrorism is supposed to require something approaching global counterinsurgency. The claim does not bear scrutiny. Few failed states have provided havens for anti-American terrorists.[3] Even in Afghanistan during the 1990s, the supposed leading example of this phenomenon, the trouble was that the government allied with al Qaeda, not that there was no government. And we have lately learned that we lack the power to reorder unruly states with military occupations, despite great expenditures of blood and treasure.[4] Experience tells us, in fact, that occupations tend to cause terrorism aimed at the occupier rather than prevent it.[5]

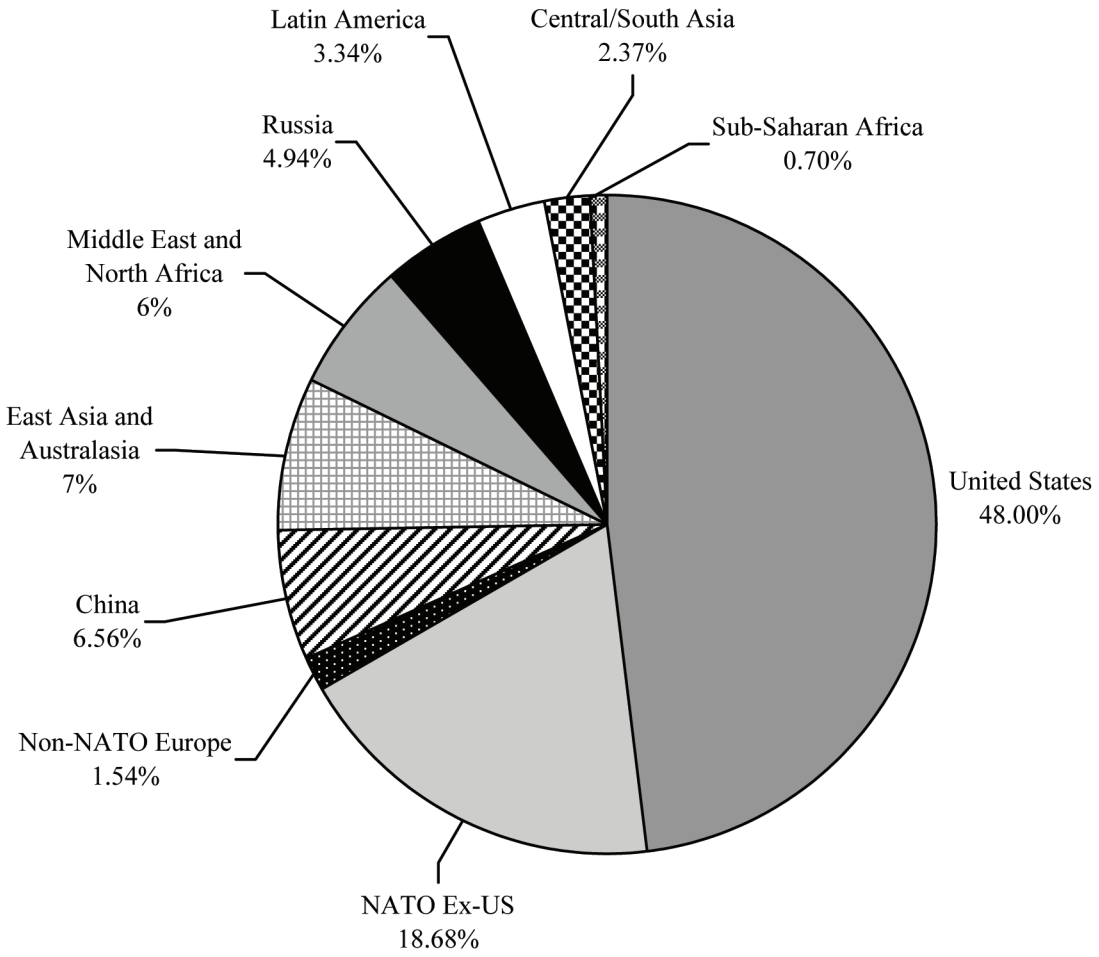
Neither can state rivals justify our massive military budget. North Korea, Iran, and Syria collectively spend roughly one sixtieth of what we spend on our military. With the possible exception of North Korean missiles, they lack the capability to attack the United States. They are deterred from doing so in any case. They are local trouble-makers and, as a result, they have local enemies that can contain them.

As for our potential great power rivals—Russia and China—we would have no good reason to fight a war with either in the foreseeable future if we did not guarantee the security of their neighbors. Both lag far behind us in military capability. That would remain the case even with the reductions proposed here.[6] As it stands today, the United States spends about five times more on defense than those states collectively. We account for nearly 50 percent of all military spending; our allies and potential strategic partners contribute much of the rest. (See Figure 2.)

It is true that various states can pose problems for U.S. military forces should we invade their country or approach their coasts, where

Our military budget should be sized to defend us. For this end, we do not need to spend $700 billion a year—or anything close.

Figure 2
Global Military Spending 2008



Source: International Institute of Strategic Studies, *The Military Balance 2010*.

The United States accounts for nearly 50 percent of all military spending; our allies and potential strategic partners contribute much of the rest.

improved surveillance and missile technology may soon chase surface naval platforms or even aircraft farther offshore.[7] Some might claim that a smaller U.S. force will exacerbate this problem. That is true in some respects. Certainly the cuts to the ground forces that we propose would make it harder to conquer and pacify populous states like Pakistan or China. On the other hand, states' ability to deny hostile forces access to their air space and coastal waters depends more on the technological balance between forces rather than their absolute numbers. That is one reason that the budget recommended here would maintain heavy spending on research and development. It is also worth noting that the strategy of restraint gives us fewer reasons to menace foreign shores, and therefore less reason to worry about this problem.

Another argument for high military spending is that U.S. military primacy underlies global stability. According to this theory, our forces and alliance commitments dampen conflict between potential rivals, preventing them from fighting wars that would disrupt trade and cost us more than the military spending that would have prevented war. This logic liberates defense planning from old-fashioned considerations like enemies and the balance of power. It sees the requirements of global policing as the basis for the size of the U.S. military. That is no standard at all,

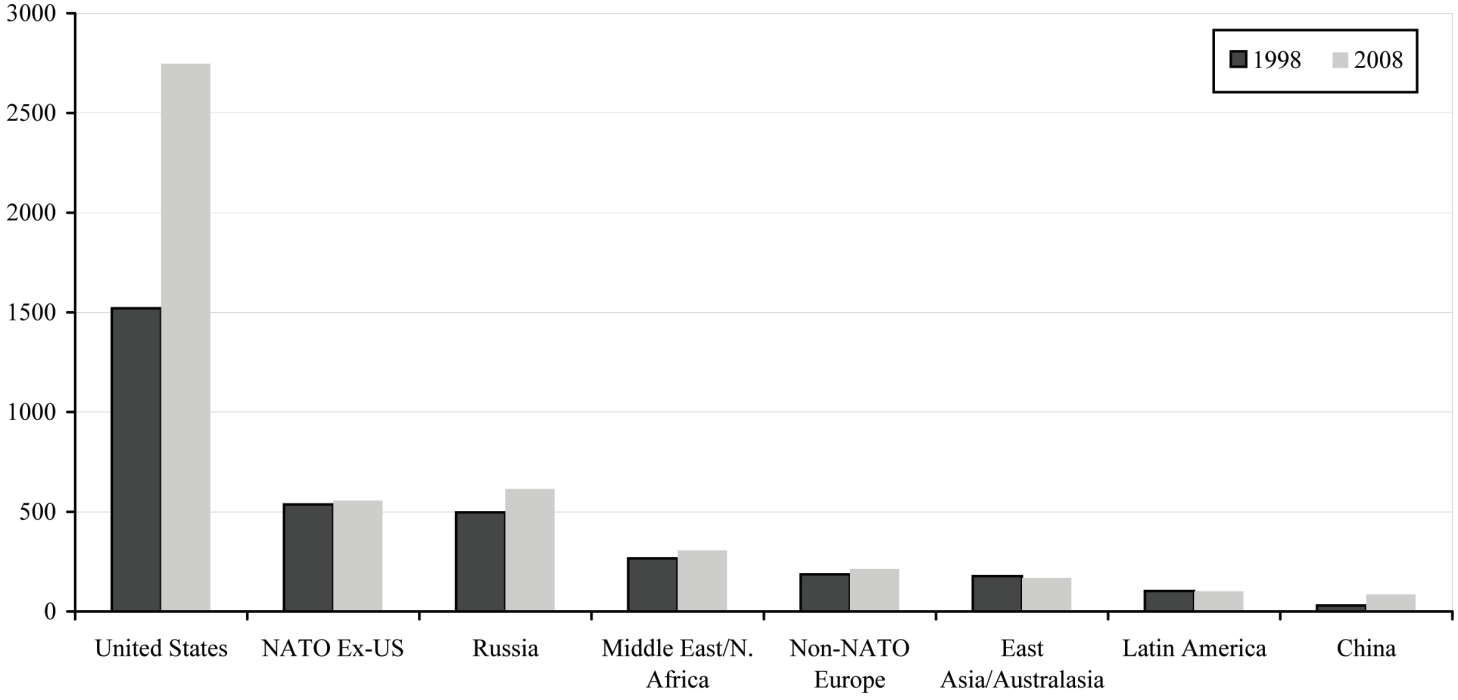
which is why hawks embrace it. Boundless objectives justify limitless costs. (How else to explain how much less other rich states spend on defense relative to Americans? On per capita military expenditures, see Figure 3.)

The primacy argument overestimates both the American military's contribution to international stability and the danger that instability abroad poses to Americans. U.S. force deployments in Europe and Asia now contribute little to peace, at best making low odds of war among states slightly lower.[8] Inertia, rather than our security requirements, explains the perseverance of our military alliances.

The main justification for our Cold War alliances was the fear that Communist nations could conquer or capture by insurrection the industrial centers in Western Europe and Northeast Asia and then harness enough of that wealth to threaten us—either directly or by forcing us to become a garrison state at ruinous cost. But these alliances outlasted the conditions that caused them. During the Cold War, Japan, Western Europe and South Korea grew wealthy enough to defend themselves. We should let them. These alliances heighten our force requirements and threaten to drag us into wars, while providing no obvious benefit. Without our forces there, our allies would pay the cost of balancing local adversaries.

Despite its popularity, there is scant evidence for the claim that international commerce requires American military hegemony.[9] The threats to global trade today are quite limited. The percentage of shipments protected by military means, let alone U.S. naval vessels, is tiny. And even when political instability does disrupt trade, it has only a minimal economic impact here.[10] By linking markets, globalization provides supply alternatives for the goods we consume, including oil. If political upheaval disrupts supply in

Figure 3
Defense Expenditure per Capita, Constant 2008 U.S. Dollars



Source: IISS, *The Military Balance 1999–2000*; IISS, *The Military Balance 2010*.

As a rich state remote from trouble, we can take a wait-and-see approach to distant threats, letting our friends bear the cost of their defense.

one location, suppliers elsewhere will take our orders. Prices may increase, but markets adjust. That makes American consumers less dependent on any particular supply source, undermining the claim that we need to use force to prevent unrest in supplier nations or secure trade routes.[11]

Hawks also claim that we must spend heavily on defense today to prepare for the eventuality of new rivals. But the best hedge against an uncertain future is a prosperous and innovative economy supporting a capable military that can be expanded to meet rivals should they arise.

Proposals for Reducing Spending

As a rich state remote from trouble, we can take a wait-and-see approach to distant threats, letting our friends bear the cost of their defense. We should stop confusing foreign disorder with foreign threats. While we should retain the ability to participate in multilateral efforts to mitigate the effects of humanitarian disasters, we should not mistake this work as something relevant to our defense.

By avoiding the occupation of failing states and limiting commitments to defend healthy ones, we could plan for fewer wars. By shedding missions we can cut force structure—reducing the number of U.S. military personnel, the weapons and vehicles we procure for them, and the force's operational cost. The resulting force would be more elite, less strained and far less expensive.

The following proposals reduce military spending by more than $1.2 trillion over 10 years (See Table 1).[12] These reductions are conservative in two ways. First, in several cases we likely erred on the side of undercounting savings. Second, a strategy of restraint could allow greater savings. We have not, for example, included cuts to the size of the Guard and Reserve or our air and sea lift capability. Indeed, some readers may wonder why we have not gone further, given that even steeper cuts would still leave us with a large margin of superiority over all rivals. The answer is that the cuts we suggest are a kind of initial harvest of restraint. They do not preclude consideration of further reductions. It might, however, be prudent to first adopt changes like those we suggest and, before going further, wait to see if the political leadership is capable of adhering to the restrained strategy.

With few conventional enemies and a disinclination for large-scale occupations, the Marine Corps and Army would have far less to do. We therefore recommend cutting the end-strength of each service's active force by roughly one third. Based on the forces used for recent conflicts and our most likely enemies, this force, along with Reserve and National Guard forces, is large enough to win a conventional conflict while participating in a moderately-sized multilateral peace-keeping mission.

We propose reducing the Navy to eight carrier battle groups and six expeditionary strike groups. We would terminate the Littoral Combat Ship (LCS) program after four vessels, propose an alternative low-cost frigate or corvette in its place and cut the number of destroyers and submarines that the Navy operates. The Navy we would maintain is plenty capable given the dearth of current naval challengers and the strike power provided by modern carrier air wings. As Secretary of Defense Gates has noted, no enemy, or foreseeable combination of enemies, has the capability to challenge today's Navy, on the seas or under them.[13] This would remain the case even with the reduced Navy that we propose. Under a strategy of restraint, the Navy would operate as a surge force that deploys to fight, rather than attempting to stamp out trouble by maintaining a presence around the world. This force is more than sufficient for that purpose.

We would also eliminate six fighter wing equivalents from the Air Force. There are three justifications for this cut. First, the Navy already provides enough airpower from the sea to deal with most wars.[14] Second, the Air Force lacks enemies that challenge its air superiority. Third, advancements in weapons

Table 1
Summary of Savings through 2020 (in billions)

Description	Savings
Nuclear weapons	$87
Army end strength	$220
Marine Corps end strength	$67
Pentagon civilian workforce	$105
Aircraft carriers and naval aircraft	$40
Submarines (Tactical) (SSNs and SSGNs)	$32
Destroyers	$34
Littoral Combat Ships	$14
Expeditionary strike groups	$7
Air Force fighters	$89
Expeditionary Fighting Vehicle	$11
V-22 Osprey	$15
Missile defense	$60
Military pay and health care	$115
Maintenance and supply	$13
Research, development, test and evaluation (RDT&E)	$73
Command, support, and infrastructure	$100
Intelligence	$112
Military construction and housing	$30
Total	**$1,224**

guidance greatly increased the destructive power of each airframe. These factors mean that the fighter capability we maintain is more than what is needed to support likely ground conflicts or conduct bombing raids. Because we want an offshore posture rather than a forward defense, we retain our current bomber and refueling tanker procurement plans. We also maintain the Air Force's spending on unmanned aerial vehicles, given their flexibility and low cost relative to manned aircraft.

We would cut research and development spending across the department by 10 percent. A smaller force requires less research and testing to support it. But because this spending helps keep our military far ahead of rivals, we cut it less, as a percentage, than operational force structure. Likewise, we would cut the intelligence budget by 15 percent. Responding quickly to threats requires timely and accurate information, but the intelligence budget has grown excessively since 2001, even given current requirements.

The cuts we suggest are a kind of initial harvest of restraint. They do not preclude consideration of further reductions.

We propose reducing the Navy to eight carrier battle groups and six expeditionary strike groups.

Because a smaller military will require less administrative support and fewer facilities, we recommend substantial cuts in administrative overhead and military construction.

The U.S. nuclear arsenal has shrunk considerably since the Cold War with no diminution in our security. Further cuts, beyond those envisioned under the New START (Strategic Arms Reduction Treaty) agreement with Russia, are warranted.[15] These proposals stem not from the logic of restraint, but from the fact that the size of the U.S. nuclear weapons force has long been far larger than what deterrence requires.[16] We propose drawing down the arsenal to as few as 500 deployed warheads, reducing the number of nuclear ballistic missile submarines (SSBNs) from 14 to 6, cutting the land-based intercontinental ballistic missile force to 150 missiles, eliminating the bomber portion of the nuclear triad, and shrinking the nuclear weapons support infrastructure, including nuclear weapons laboratories. Additional savings come from making national missile defense into a research program. Deterrence and technical challenges make the strategic rationale for national missile defense weak enough to justify this recommendation even absent a strategy of restraint.

Finally, we propose reforming the provision of military pay and benefits. Such reforms are inevitably controversial, especially during wars. It is important to note that we are not advocating reductions in pay but slowing pay increases as the wars wind down. We suggest limiting health care benefits only in the sense of raising co-pays and premiums to control TRICARE's cost. These changes are more palatable if we reduce the burden on service members by relaxing the pace of deployments and keeping most troops stateside.

Below we outline these reductions. The text and footnotes should provide readers with the information needed to understand how we arrived at our estimates. Although most of the proposals share a strategic rationale, they could all stand alone as individual proposals.

1. Cut the nuclear weapons arsenal.

We propose a nuclear weapons arsenal of 500 deployed warheads; a 50 percent cut in the number of delivery platforms, including elimination of the bomber leg of the nuclear triad; and consolidation of nuclear laboratory and testing facilities.[17] Our proposals would cut $66 billion from the Department of Defense (DoD) budget and $21 billion from the Department of Energy (DoE) budget from 2011 through 2020.[18] We would retain six SSBNs, which would allow for at least four ballistic missile submarines to be deployed at any one time, saving $3 billion from 2011 through 2020.[19] These platforms, which were designed to carry as many as 192 warheads, will deter any leader foolish enough to contemplate a strike on the United States. To make doubly sure, we would retain 150 Minuteman III Intercontinental Ballistic Missiles in the continental United States. We would also forego the purchase of Trident II missiles for the SSBNs and upgrades to nuclear cruise missiles, and we would shelve plans to deploy nuclear weapons on the F-35 Joint Strike Fighter. Because a smaller arsenal requires less support, we would consolidate nuclear weapons production and testing facilities, which fall under DoE's purview.

2. Cut the active-duty Army to 360,000 personnel.

A reduction in the number of active-duty Army personnel from the current legislated end strength of 547,400 would save $220 billion from 2011 through 2020. This estimate draws on a 2009 Congressional Budget Office calculation that reversing the "Grow the Army" initiative, which had added 65,000 troops to the Army, would save $88.7 billion over the next 10 years.[20] We assume that our savings over the same 10-year period would be at least two and a half times that of the CBO estimate.

3. Cut the size of the Marine Corps from 202,000 to 145,000.

This reduction would save $67 billion from 2011 through 2020. Personnel reduc-

tions would occur over a 10-year period, approximately 3.5 percent each year. We arrived at these savings estimates by modifying the CBO projections for the Army.

4. Reduce the number of Navy aircraft carriers to eight; Reduce naval air wings to seven.

Reducing the number of operational aircraft carriers (CVNs) from twelve to eight would save $40 billion from 2011 through 2020. Current Navy plans call for 12 carriers by 2020.[21] This proposal would continue production of the new Ford Class CVN 78, which will be deployed in 2015.[22] Canceling procurement of CVN 79 and all future Ford Class CVNs would save $16 billion in procurement through 2020 (approximately $7 billion for CVN 79 and $9 billion for CVN 80). Decommissioning the Nimitz, Eisenhower, and Vinson would save at least $5 billion over 10 years in reduced O&M (operations and maintenance) costs, including associated air wings. These savings would be offset by decommissioning costs of approximately $1 billion for each vessel.[23] Another $12 billion would be saved in foregone procurement of 60 F-35 Joint Strike Fighters.[24] Associated reductions in personnel would save $10 billion.

5. Build and operate fewer tactical submarines.

Reducing the number of tactical submarines would save $32 billion from 2011 through 2020. Current plans show the number of fast-attack submarines (SSNs) declining to 40 ships by 2028.[25] The Navy can reach 40 in 2020, eight years earlier, by slowing the rate of procurement from two to one new vessel per year. Thus, instead of spending $5.8 billion per year, we could spend $2.9 billion per year, saving $29 billion in procurement and $1 billion in O&M costs over 10 years. Decommissioning the four active guided missile submarines (SSGN) would save at least $500 million in O&M over 10 years, but we estimate that these savings would be offset in the short term by the costs to dispose of the vessels. Savings from reductions in personnel onboard tactical submarines would be $2 billion.

6. Build and operate fewer destroyers.

We would save $34 billion from 2011 through 2020 by reducing the number of destroyers (DDGs) that the Navy buys and operates. This reduction is accomplished by maintaining the number of DDG-51s at the current level of 62. The Navy has already proposed stopping production of its newest destroyer, the DDG-1000, at three, and instead plans to buy eight Flight IIA version DDG-51s and as many as eight Flight III version DDG-51s by 2020 at an average cost of about $2 billion.[26] We would allow production of the three DDG-1000s to proceed but build no additional DDG-51s, and where possible, reallocate funds already authorized. Avoiding production of 16 DDG-51s would save at least $30 billion, plus $1 billion in associated O&M costs and $1 billion from reductions in personnel.[27]

7. Cancel the Littoral Combat Ship and develop a less expensive alternative.

The Navy should halt the LCS program and consider developing a less expensive class of frigates or corvettes.[28] The LCS costs roughly three times its initial price. This cost undermines the idea—always questionable—that LCS could take on particularly risky missions. Cost has also undercut LCS's modularity, where the Navy can select a mission module, a package of software and equipment that can be swapped in and out to tailor each LCS to a mission. There are three such modules: mine warfare, anti-submarine warfare and surface warfare. Presumably due to cost constraints, the Navy is building only about as many modules as ships, limiting flexibility.

Besides the four LCSs already (or nearly) completed, the Navy plans to build about 24 in the next 10 years, at an average cost of $620 million each.[29] Forgoing these vessels would thus save $14.9 billion over the next 10 years, plus $3.1 billion in associated O&M costs. While researching alternative plat-

The size of the U.S. nuclear weapons force has long been far larger than what deterrence requires.

forms, the Navy can refurbish 14 Perry class frigates at a cost of roughly $100 million each.[30] These ships, along with destroyers, could perform the LCS's missions. After subtracting the costs of refurbishing and retaining the frigates and the additional personnel costs they require, net savings would be $14 billion over 10 years.[31]

8. Reduce the number of Marine Corps expeditionary strike groups.

A reduction in the total number of Marine Corps expeditionary strike groups from ten to six would save $7 billion from 2011 through 2020. These reductions are consistent with cuts in Marine Corps personnel cited above. This proposal would decommission four Amphibious Assault Ships (LHA/LHD), four Amphibious Transport Dock Ships (LPD), and at least two Dock Landing Ships (LSD), and eliminate their associated air wings. These cuts are justified because the likelihood of Marines attacking a well-defended coast from the sea without support from carrier air power is remote. And the speed to deployment gained by having Marines sea-based is rarely worth its cost. By reducing the number of expeditionary strike groups to six, $2.4 billion would be saved in O&M costs over 10 years. Associated naval personnel cuts would save $4.6 billion.

9. Build and operate fewer Air Force fighters.

The Air Force should eliminate six strike wing equivalents, netting $89 billion from 2011 through 2020. The drawdown would be accomplished by accelerating the retirement of aging airframes, especially F-15s and F-16s, and purchasing 301 fewer F-35s than currently programmed.[32] The estimated cost per new aircraft is $200 million, which translates into $60 billion in reduced procurement expenses, plus $29 billion in reduced personnel and O&M expenses.

10. Cancel the Expeditionary Fighting Vehicle (EFV).

The EFV is 14 years behind schedule and 160 percent over budget.[33] It serves an archaic mission—amphibious assault on a hostile shore. (The last time this occurred was the Inchon Landing in September 1950.) In the highly unlikely event that the United States again employs Marines in this way, existing platforms, including the Assault Amphibious Vehicle 7A, will suffice. This proposal would save the approximately $11 billion needed to complete the program and purchase 573 vehicles.[34]

11. Terminate the V-22 Osprey.

The Marine Corps should stop V-22 Osprey production and save the $23 billion needed to finish procurement.[35] The V-22's cost is extraordinarily high relative to alternatives.[36] It lacks reliability and lift. Its relatively small size means that other aircraft will have to bring supplies such as heavy weapons to the Marines it transports, but no supply aircraft can fly as far and as fast, meaning that either V-22s will drop Marines off in places where they cannot be equipped to fight, or more likely, it will not be used at full range, undermining a primary argument for its procurement.[37] Proven rotary-wing aircraft, such as the MH-60 and the CH-53, should handle this mission. After subtracting the cost of procuring and operating alternative platforms for troop and material transport, total savings for the elimination of the V-22 program would equal $15 billion over the 10-year period.

12. Make national missile defense a research program.

The FY 2011 budget request includes $9.9 billion for missile defense, an increase over the FY 2010 budget. That amount is consistent with spending over the past few years. Our proposal would save about $60 billion from 2011 through 2020 by shifting missile defense funding from procurement to research and development and canceling components with excessive cost overruns.[38] Assuming that DoD plans to spend an average of $9 billion annually, reducing spending to between $2 and $3 billion annually would save at least $60 billion over the next 10 years.[39]

The likelihood of Marines attacking a well-defended coast from the sea without support from carrier air power is remote.

13. Cut the Pentagon civilian workforce.

A smaller military requires fewer civilian support personnel. And, as discussed below in the section on overhead, the Pentagon has excessive administrative apparatus even for its current mission set. Accordingly, we would reduce the Pentagon civilian workforce by nearly a third, with most of the cuts achieved through attrition.[40] The civilian workforce will total 789,000 in FY2011 at a cost of $77.07 billion. Reducing the civilian payroll by roughly 30 percent over a 10-year period would save approximately $105 billion. This estimate mirrors larger reductions in personnel made between 1991 and 2001, when civilian manpower was reduced by roughly 34 percent and total civilian compensation declined by just over 24 percent.[41]

14. Reform the calculation of military compensation and restructure health care benefits.[42]

Currently, some components of military compensation, including tax advantages and housing allowances, are not included in the pay raise calculations that are pegged to changes in the civilian sector.[43] We propose including these benefits when pay raises are calculated, phasing the reform in as forces are withdrawn from Afghanistan and Iraq. That would save $55 billion between 2011 and 2020.

Premiums for DoD's health care system, TRICARE, have not risen in 10 years.[44] Lower premiums encourage many military retirees earning full-time civilian salaries to choose TRICARE even though health coverage is available through their employer. According to a June 2009 CBO report, reform of TRICARE could save more than $60 billion from 2011 through 2020.[45] Such changes are more reasonable under a restraint strategy because that strategy would greatly reduce the burden on military personnel.

15. Reform DoD Maintenance and Supply Systems.

According to the Congressional Budget Office, reform of DoD maintenance and supply systems would save $13 billion over 10 years. Reforms include consolidating DoD retailing, changing DoD's depot pricing structure for equipment repairs, and easing restrictions on contracting for depot maintenance.[46]

16. Reduce RDT&E by 10 percent.

Over the period FY 2011–2015, DoD plans to spend an average of $72.9 billion annually on RDT&E (Research, Development, Test & Evaluation). The Pentagon should reduce total RDT&E spending by 10 percent annually, which would generate $73 billion in savings over 10 years. The reduced spending levels greatly exceed what would be required to maintain the U.S. military's quantitative and qualitative superiority for the foreseeable future. Additional reductions in RDT&E are captured above in changes to, or cancellations of, specific programs.

17. Reduce expenditures on command, support, and infrastructure.

According to the Defense Department, approximately 40 percent of its budget goes to overhead—administrative costs mostly contained within the operations and maintenance budget—including rents, depreciation of equipment, facilities maintenance, utilities, headquarters staff, information technology and other defense-wide support programs. The Defense Business Board, a DoD advisory group, recently noted that, as a percentage of spending, this figure is at a historic high, reflecting rapid growth in Pentagon management costs in recent decades.[47] As part of an effort to shift $100 billion from these swollen overhead costs to force structure over the next decade, the Secretary of Defense recently suggested closing Joint Forces Command and several other small DoD organizations, hiring fewer contractors, and reducing staff in the Office of the Secretary of Defense.[48]

Though these are welcome initiatives, we believe that the taxpayer should get the savings, unlike the secretary. And we believe that deeper cuts are warranted. The department

Reform of pay and benefits is more reasonable under a restraint strategy because that strategy would greatly reduce the burden on military personnel.

required under a strategy of restraint would need even less administrative support. We could, for example, eliminate or consolidate the geographic Combatant Commands. Because some of these savings are reflected in the cuts to civilian personnel and intelligence counted elsewhere, we follow DoD and estimate that cuts to overhead could save an average of $10 billion per year; $100 billion from 2011 through 2020.

18. Reduce intelligence spending by 15 percent.

In 2009, then director of National Intelligence Dennis Blair stated that the U.S. intelligence budget was $75 billion. That includes $45 billion spent on the National Intelligence Program and $30 billion spent on the Military Intelligence Program.[49] Adjusting for inflation, that is more than double the $26.7 billion spent on intelligence in 1998 ($35.1 billion in 2009 dollars), with the bulk of the growth coming after September 11, 2001.[50] And 1998 intelligence spending exceeded that of 1980 by almost 80 percent in real terms.[51] That rapid growth is excessive given the historically mild threats we face.

Redundancy in intelligence analysis can be useful in producing competing perspectives and thoroughness, but the explosion in intelligence spending has spawned redundancy excessive to those ends and organizational confusion.[52] In addition, the Central Intelligence Agency is now carrying out paramilitary activities that should be the exclusive province of Special Operational Forces.[53] The excess in intelligence assets would be greater under restraint, with fewer enemies and military missions. We therefore propose cutting 15 percent from the intelligence budget. Conservatively assuming that it remains at $75 billion, that amounts to savings of more than $112 billion over 10 years. Because roughly 20 percent of total intelligence spending falls outside of what officially counts as defense spending (budget function 050), approximately $28 billion of these savings would come from other sections of the budget.[54]

19. Cut military construction and family housing spending.

The cuts discussed above would allow reductions in the buildings needed to accommodate military personnel and DoD civilians and thus in the military construction and family housing budget. Driven by the Base Realignment and Closure (BRAC) process, this budget grew to over $25 billion in recent years, but OMB plans for only $14 billion by 2015. We propose cutting projected spending by 20 percent, or $30 billion in savings over the next 10 years.[55]

Conclusion

Geography, wealth, and nuclear weapons provide us with safety that our ancestors would envy. Our hyper-active military policies damage it by encouraging rivalry and resentment.

The United States confuses what it wants from its military, which is global primacy or hegemony, with what its needs, which is safety. Our leaders tend to exaggerate the capability of the enemies we have and invent new enemies by defining traditional foreign troubles —geopolitical competition among states and instability within them, for example—as pressing threats to our security. Geography, wealth, and nuclear weapons provide us with safety that our ancestors would envy. Our hyperactive military policies damage it by encouraging rivalry and resentment. Global military primacy is a game not worth the candle.[56]

We can defend ourselves with far more restrained military objectives, at far less cost than the nearly $550 billion we will spend in fiscal year 2011 in the non-war portion of the defense budget. A policy of restraint that discourages state-building and permanent alliances would allow us to plan for fewer military actions and cut the size and cost of the military. This strategy allows the $1.2 trillion over 10 years in savings that we have outlined here.

Other paths to savings are possible. Those less inclined to restraint might select only some of these proposals. Analysts who believe that U.S. counterinsurgency campaigns are more likely than we do, for example, might accept or even augment our cuts that do not pertain to the Army. Those that

would retain our current military objectives might still support cutting the nuclear weapons budget. Some might want to cut the Army and Air Force along the lines we suggest, but keep the Navy large enough to police the seas and bludgeon enemies without occupying their capitals.

We cannot, however, have considerable savings without thoroughgoing strategic change. There are efficiencies to be had in our military budget, but making large spending cuts without reducing commitments is a recipe for overburdening service members. Nor should we embrace strategic restraint simply for budgetary reasons. It is a security strategy first that offers the opportunity to save. Indeed, these recommendations would make sense absent deficits. But deficits make them more pressing and more likely to attract support. Concerns about debt have historically been a necessary condition for defense spending cuts.

These proposals seem radical inside the Beltway. But what is truly radical is the ambition that now justifies the size of the U.S. military: the idea that the United States should use its military to secure rich states in perpetuity, arrest disorder in several poor ones simultaneously, insure global stability, and spend the better part of a trillion dollars a year to those ends. Given the strategy we advocate, our proposals are actually cautious. Were the United States to truly revive its non-interventionist ideals, deeper savings could be had, without sacrificing freedom or security.

Notes

The authors would like to thank Charles Zakaib for his assistance with this paper.

1. Eugene Gholz, Daryl G. Press, and Harvey M. Sapolsky, "Come Home, America: The Strategy of Restraint in the Face of Temptation," *International Security* 21, no. 4 (Spring 1997): 5–48; Barry Posen, "The Case for Restraint," *The American Interest* 3, no. 1 (November/December 2007): 7–17; Harvey M. Sapolsky et al., "Restraining Order: For Strategic Modesty," *World Affairs Journal* 172, no. 2 (Fall 2009): 84–94; Christopher Preble, *The Power Problem: How American Military Dominance Makes Us Less Safe, Less Prosperous, and Less Free* (Ithaca, NY: Cornell University Press, 2009).

2. Competition for budget share also helps. Harvey M. Sapolsky, "The Inter-Service Competition Solution," *Breakthroughs* 5, no. 1 (Spring 1996):1–3.

3. Justin Logan and Christopher Preble, "Failed States and Flawed Logic: the Case against a Standing Nation-Building Office," Cato Institute Policy Analysis no. 560, January 11 2006.

4. Benjamin H. Friedman, Harvey Sapolsky and Christopher Preble, "Learning the Right Lessons From Iraq," Cato Institute Policy Analysis no. 610, February 13, 2008.

5. Robert Pape, *Dying to Win: The Strategic Logic of Suicide Terrorism* (New York: Random House, 2005).

6. Note that even with the 10 percent reduction in research and development funding we propose, the U.S. military will spend on research and development alone almost as much as Russia spends on its entire military.

7. On these limits on U.S. military hegemony, see Barry Posen, "Command of the Commons: The Military Foundations of U.S. Hegemony," *International Security* 28, no. 1 (Summer 2003): 5–46.

8. This case is especially strong in Europe. Stephen Van Evera, "Primed for Peace: Europe after the Cold War," *International Security* 15, no. 3 (Winter 1990/91): 7–57.

9. This is not to say that it is impossible that a rival state might try to disrupt U.S. trade during a conflict. That possibility, however, does not require policing all shipping now, as opposed to protecting threatened shipments at the time. The Navy we propose is more than sufficient to that task.

10. Eugene Gholz and Daryl G. Press, "The Effects of Wars on Neutral Countries: Why It Doesn't Pay to Preserve the Peace," *Security Studies* 10, no. 4 (Summer 2001): 1–57. Oil price shocks may be an exception. For that view, see James D. Hamilton, "Causes and Consequences of the Oil Shock of 2007–08" *Brookings Papers on Economic Activity* (Spring 2009), pp. 215–84. Other economists, however, argue that the U.S. economy is far less vulnerable to sudden increases in oil prices than it used to be. See, e.g., Olivier J. Blanchard and Jordi Gali, "The Macroeconomic Effects of Oil Price Shocks: Why Are the 2000s So Different from the 1970s?," MIT Department of Economics Working Paper No. 07-21 (August 2007), www.crei.cat/people/gali/pdf_files/bgoil07wp.pdf; Paul Edelstein and Lutz Kilian, "Retail Energy Prices and Consumer Ex-

penditures," CEPR Discussion Paper no. DP6255 (April 2007), ideas.repec.org/p/cpr/ceprdp/6255.html. Even if our economy is vulnerable to political instability that causes oil price spikes, it does not follow that military deployments, as opposed to reserve stocks, are an efficacious way to mitigate the problem. For this view, see Eugene Gholz and Daryl G. Press, "Energy Alarmism: The Myths that Make Americans Worry about Oil," Cato Institute Policy Analysis no. 589, April 5, 2007.

11. Sapolsky et al., "Restraining Order," pp. 88–89.

12. Justin Logan, Jaren Kuchta, and Hans Lango of the Cato Institute provided invaluable analytical support in the development of these proposals.

13. Robert Gates, "Navy League Sea-Air-Space Exposition," speech given at National Harbor, Maryland, May 3, 2010, http://www.defense.gov/speeches/speech.aspx?speechid=1460.

14. On the Navy's dominant role in providing air support to U.S. forces in Afghanistan and Iraq, see Benjamin Lambeth, *American Carrier Air Power at the Dawn of the New Century* (Santa Monica, CA: RAND, 2005), pp. 11, 52.

15. The total stockpile of nuclear weapons in the U.S. arsenal has declined by more than 75 percent since 1990 (21,392 to 5,113), and is slated to decline by another 50 percent under the New START agreement, with a formal limit of 1,550 deployed warheads. Five thousand one hundred and thirteen includes active and inactive warheads, but not several thousand weapons that are retired and awaiting dismantlement. Department of Defense, "Fact Sheet: Increasing Transparency in the U.S. Nuclear Weapons Stockpile," May 3, 2010, http://www.defense.gov/npr/docs/10-05-03_fact_sheet_us_nuclear_transparency__final_w_date.pdf.

16. A recent report suggests that a credible U.S. deterrent would be in this same range. See James Wood Forsyth Jr., Col. B. Chance Saltzman, and Gary Schaub Jr., "Remembrance of Things Past: The Enduring Value of Nuclear Weapons," *Strategic Studies Quarterly* 4, no. 1 (Spring 2010): 74–89.

17. Manned bombers, chiefly B-52s and B-2s, would be maintained for their long-range conventional strike capabilities. The Air Force Association's Mitchell Institute for Airpower Studies recently published a similar proposal on bombers. Dana J. Johnson, Christopher J. Bowie, and Robert P. Haffa, *Triad, Dyad, Monad? Shaping the US Nuclear Force for the Future, Mitchell Paper 5* (Arlington, VA: Mitchell Institute Press, December 2009).

18. Our estimate draws on Stephen I. Schwartz, with Deepti Choubey, *Nuclear Security Spending: Assessing Costs, Examining Priorities* (Washington: Carnegie Endowment for International Peace, 2009); and *Debts, Deficits, and Defense: A Way Forward*, Report of the Sustainable Defense Task Force, June 1, 2010, pp. 14–15, http://www.comw.org/pda/fulltext/1006SDTFreport.pdf. For other estimates of savings from changes to nuclear force structure, see Steven M. Kosiak, *Spending on US Strategic Nuclear Forces: Plans and Options for the 21st Century* (Washington: Center for Strategic and Budgetary Assessments, 2006).

19. There are no plans for building additional SSBNs over the next ten years, therefore we capture no savings from procurement. We assume that the reductions would come gradually, thus we do not claim operational cost savings from all eight submarines for each of the ten years. Over ten years, cutting eight SSBNs (from the Navy's planned 14 to 6) would save $2.2 billion in O&M (operations and maintenance) costs, and $1.8 billion in associated personnel costs. We estimate the costs to decommission the eight vessels will not exceed $1 billion, resulting in net savings of $3 billion. Costs for O&M are from the U.S. Navy's 2009 Visibility and Management of Operating and Support Costs database. We thank Charles Zakaib for his work on these figures. All naval O&M figures were calculated using this data.

20. Congressional Budget Office, *Budget Options: Volume 2*, Pub. No. 3191, August 2009, p. 7. Our estimates of savings from Army and Marine Corps reductions are conservative. Given trends in the cost of compensation and particularly health care, DoD projections for manpower costs in the Army and Marine Corps from 2011 to 2015 are unrealistic.

21. U.S. Navy projections taken from CBO, *An Analysis of the Navy's Fiscal Year 2011 Shipbuilding Plan*, Pub. No. 4116, May 2010.

22. For general background on the Ford Class program, see Ronald O'Rourke, "Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress," Congressional Research Service Report RS20643, June 10, 2010.

23. The Enterprise, CVN-65, is already slated for decommissioning in 2013 and that would proceed as scheduled.

24. This assumes that 50 percent of current F/A-18s would be replaced with new Joint Strike Fighters for each carrier air wing eliminated.

25. See Ronald O'Rourke, "Navy Attack Submarine Procurement: Background and Issues for Congress," Congressional Research Service Report

RL32418, December 22, 2009.

26. U.S. Navy plans include procurement of eight Flight IIA DDG-51s from FY2011 through FY2015. Between FY2016 and FY2031, the Navy plans to procure 24 Flight III DDG-51s. For general background on this program, see Ronald O'Rourke, "Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress," Congressional Research Service Report RL32109, June 14, 2010.

27. Because some destroyers procured during the 10-year period will not be in service during that period, O&M and personnel savings are calculated only for the ships presumed to be in service through 2020, according to U.S. Navy projections.

28. Small, fast ships seem a better fit for many of the missions mentioned in the new maritime strategy. U.S. Navy, *A Cooperative Strategy for 21st Century Seapower*, October 2007, http://www.navy.mil/maritime/Maritimestrategy.pdf.

29. This figure includes an estimated cost of $70 million per ship for modules. On LCS's cost, see CBO, *An Analysis of the Navy's Fiscal Year 2011 Shipbuilding Plan*, pp. 14, 19–20. For further information, see Ronald O'Rourke, "Navy Littoral Combat Ship (LCS) Program: Background, Issues, and Options for Congress," Congressional Research Service Report RL33741, June 10, 2010. For the Navy's estimate that modules will cost $50–70 million on average, see J. Michael Gilmore and Eric J. Labs, "The Navy's 2008 Shipbuilding Plan and Key Ship Programs," Statement before the Subcommittee on Seapower and Expeditionary Forces, Committee on Armed Services (July 24, 2007), http://www.cbo.gov/ftpdocs/83xx/doc8342/07-20-Shipbuilding_Testimony.pdf, p. 17, fn 22.

30. Current Navy plans call for retiring the 30 remaining Oliver Hazard Perry Class frigates by 2020. On the approximate cost of refurbishment, see Defense Security Cooperation Agency, "News Release: Pakistan—Refurbishment of Oliver Hazard Perry Class Frigate," February 19, 2010, www.dsca.osd.mil/PressReleases/36-b/2010/Pakistan_09-28.pdf.

31. The typical ship's complement for a frigate is approximately 200, whereas the LCS is projected to deploy with fewer than 80 sailors. Net savings from foregoing construction of the LCSs and the refurbishment of the frigates total $15.5 billion, minus $1.3 billion in net additional personnel costs associated with the Perrys.

32. On Air Force fighter plans, see "2010 United States Air Force Posture Statement," Department of the Air Force, February 9, 2010, pp. 5–7, http://armed-services.senate.gov/statemnt/2010/03%20March/Donley-Schwartz%2003-04-10.pdf.

33. *Debts, Deficits, and Defense*, p. 24.

34. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-10-388SP, March 2010, p. 61.

35. Ibid., p. 131.

36. Program costs grew from an initial estimate of $24 million ($46 million, in 2008 dollars) per aircraft when the contract was first awarded in 1986, to its current per unit cost of more than $110 million.

37. On these points, see, e.g., Michael J. Sullivan., Director of Acquisition and Sourcing Management, Government Accountability Office, "V-22 Osprey Aircraft: Assessments Needed to Address Operational and Cost Concerns to Define Future Investments," Testimony Before the House Committee on Oversight and Government Reform, June 23, 2009, http://www.gao.gov/new.items/d09692t.pdf. For more on the V-22, see Preble, *The Power Problem*, pp. 50–52.

38. Secretary Gates canceled plans to purchase the airborne-laser, a program already eight years behind schedule, and $4 billion over budget, but cuts could be made in other programs as well. On the airborne laser, see Dan Vergano, "'Star Wars' Meets Reality? Military Testing Laser Weapons," *USA Today*, May 14, 2010, http://www.usatoday.com/tech/science/2010-05-14-1Adeathray14_CV_N.htm.

39. CBO finds that canceling programs including the Far-Term Sea-Based Terminal Defense, Sensor Development, Missile Defense Space Experimentation Center, and Special Programs would save $11.25 billion over the next five years, and $40.09 billion over the next ten years. *Budget Options, Volume 2*, p. 21. Our plans here include continued funding for the Patriot and AEGIS missile defense systems, which are funded primarily by the Army and Navy, respectively. They should bear the full cost of the programs.

40. GAO estimated in 2009 that more than 50 percent of DoD's civilian workforce is eligible to retire in the next few years. Government Accountability Office, *Human Capital: Opportunities Exist to Build on Recent Progress to Strengthen DOD's Civilian Human Capital Strategic Plan*, GAO-09-235, February 2009, p. 1.

41. The civilian workforce in the Department of Defense declined from 1,044,000 in 1991 to 687,000 in

2001. See National Defense Budget Estimates for FY 2011 (2011 Green Book), Table 7-5, "Department of Defense Manpower," p. 217. During that same period, civilian payroll (TOA) in constant 2011 dollars fell from $78.4 billion to $59.4 billion. See 2011 Green Book, Table 6-2, "Department of Defense TOA by Category," pp. 70–71.

42. *Debts, Deficits, and Defense*, p. 26. For other proposals for reforming military pay and benefits, see Cindy Williams, ed., *Filling the Ranks: Transforming the U.S. Military Personnel System* (Cambridge, MA: The MIT Press, 2004).

43. See *Report of The Tenth Quadrennial Review of Military Compensation, Volumes I & II* (Washington: Department of Defense, Undersecretary of Defense for Personnel and Readiness, February 2008, July 2008).

44. From 1995 to 2010, the TRICARE program also saw no increases in co-pays. The Pentagon regularly asks for such increases, but Congress routinely rejects them. See Tom Philpott, "Gates: Retiree TRICARE Fees Should Rise," Military.com, April 16, 2009; and Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff, Testimony Before the House Armed Services Committee, February 3, 2010.

45. Congressional Budget Office, *The Effects of Proposals to Increase Cost Sharing in Tri-Care*, Pub. No. 3201, June 2009. Note that in this case, some of DoD's savings are being shifted to the private sector.

46. CBO, *Budget Options, Volume 2*, pp. 28–33. See also *Debts, Deficits, and Defense*, p. 27.

47. Arnold Punaro, Task Group Chair, "Reducing Overhead and Improving DoD's Business Operations," Presentation before the Defense Business Board, July 22, 2010.

48. Ibid. On the likely savings associated with these reforms see Stephen Daggett, "Preliminary Assessment of Efficiency Initiatives Announced By Secretary of Defense Gates on August 9, 2010," Congressional Research Service Memorandum, August 12, 2010, http://www.politico.com/static/PPM152_100812_crsmemo.html.

49. Stephen Aftergood, "DNI Announces $75 Billion Intelligence Budget," *Secrecy News*, September 16, 2009, http://www.fas.org/blog/secrecy/2009/09/75_billion_budget.html.

50. The figure for FY 1998 comes from Daggett, "Preliminary Assessment of Efficiency Initiatives," p. 4. Daggett notes that the majority of the increase has gone to contractor costs. That makes it easier to reverse. Aftergood gives the same spending for 1994.

51. Commission on the Roles and Capabilities of the United States Intelligence Community, *Preparing for the 21st Century: An Appraisal of U.S. Intelligence* (March 1, 1996), p. 131.

52. Dana Priest and William M. Arkin, "A Hidden World, Growing Beyond Control," *Washington Post*, July 19, 2010.

53. On recent failures to change this arrangement, see Richard A. Best Jr. and Andrew Feickert, "Special Operations Forces (SOF) and CIA Paramilitary Operations: Issues for Congress," Congressional Research Service Report RS22017, August 3, 2009.

54. On the share of intelligence spending in budget function 050, see, Cindy Williams, "U.S. Budgets for National Security and International Affairs," Working Paper, Defense Economics Workshop, Royal Military College of Canada, November 5, 2008, p. 1.

55. Savings amount to the remainder after subtracting 20 percent from projected OMB spending on these categories for the next ten years, with the exception of 2011, the final year of significant BRAC spending, when we subtract only 20 percent of non-BRAC spending.

56. Robert Jervis, "International Primacy: Is the Game Worth the Candle?" *International Security* 17, no. 4 (Spring 1993): 52–67.

Published by the Cato Institute, Policy Analysis is a regular series evaluating government policies and offering proposals for reform. Nothing in Policy Analysis should be construed as necessarily reflecting the views of the Cato Institute or as an attempt to aid or hinder the passage of any bill before Congress. Contact the Cato Institute for reprint permission. Additional copies of Policy Analysis are $6.00 each ($3.00 each for five or more). To order, or for a complete listing of available studies, write the Cato Institute, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001 or call toll free 1-800-767-1241 (8:30-4:30 eastern time). Fax (202) 842-3490 • www.cato.org

CATO INSTITUTE