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Keep Pentagon Cuts in Perspective

What the administration proposes is hardly dramatic

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Despite the hyperbole surrounding it, the proposal to roll back the DoD budget plan for 2013-2017 by \$260 billion, asserted by Defense Secretary Panetta last fall, doesn't amount to much of a reduction from recent spending levels – about 4 percent in real terms. The roll back does appear more significant when measured against the administration's earlier spending plans for 2013-2017. But that's only because those earlier plans had aimed to continue the real growth in the Pentagon's base budget that had been underway since 1998.

In a broader view, the President's forthcoming defense budget proposal will offer the service chiefs a palatable alternative to the deeper cuts entailed by sequestration under the Budget Control Act. While the administration's new budget will modestly trim the recent peak in defense spending, it will preserve most of the meteoric post-1998 rise in the Pentagon base budget. Given the nation's current economic plight and the drive for deficit reduction, the defense establishment could not reasonably hope for a better deal.

The table below shows cumulative budget authority for the DoD "base budget" for 2008-2012 (inclusive) and, under various plans, for 2013-2017. It shows the totals both in "then year" dollars and in constant 2012 dollars. Finally, it shows how much the alternative plans for the next five years differ from actual budget authority during 2008-2012.

Comparison of Actual and Planned DoD Base Budgets, 2008-2017 (dollar amounts in trillions)			
	Five-year total in "then year" dollars	Five-year total in 2012 dollars	Real Change from 2008-2012 period
2008-2012 Actual Budget Authority	2.59	2.65	0
Obama 2010 Plan for 2013-2017	2.95	2.76	+ 4%
Obama 2011 Plan for 2013-2017	3.08	2.88	+ 9%
Obama 2012 Plan for 2013-2017	2.99	2.79	+ 5%
Obama 2013 Plan for 2013-2017	2.73	2.55	- 4%
Sequestration	2.46	2.3	- 13%
<i>Sources:</i> at end			

The administration's 2011 plan was submitted in early 2010 together with the 2010 *Quadrennial Defense Review*, and it significantly boosted the spending forecast for 2013-2017. But 2011 also saw the onset of deficit-reduction fever, beginning with the formation of the National Commission on Fiscal Responsibility and Reform. The administration almost immediately began to walk its future years defense budget plans downward. The new plan is a response to the recent failure of the Joint Select Committee on Deficit Reduction and the prospect of deeper cuts under sequestration.

According to an Office of Management and Budget memo leaked last year, the Administration will seek a Pentagon base budget of \$523 billion for Fiscal Year 2013 and allow increases for inflation thereafter through 2017. Essentially, this sets the future budget slightly higher than the budget for 2008 (expressed in 2013 dollars), but lower in real terms than the base budgets for 2009, 2010, 2011, and 2012. The net result, as noted in the table above, is a real reduction of 4% in total base budget authority for the 2013-2017 period when compared to 2008-2012.

It is important to keep in mind that this modest reduction is a reduction from a peak. The period 2008-2012 represents the peak of the spending surge that commenced in 1998. The administration's new budget plan, while more restrained than its previous ones, preserves most of this surge.

- The FY 2013 budget, if set at \$523 billion as expected, will be 37% higher in real terms than the FY 1998 budget.
- Total base budget spending during 2013-2017 will be only 7% less in real, inflation-adjusted terms than spending during the peak five years of Reagan-era budgeting, when the United States faced the Soviet empire and had a military 50% larger than today's.
- Measured against the average Pentagon budget for the entire Cold War period (1948-1992), the prospective base budget for FY 2013 will be 20% higher, in real terms

Sources:

Colin Clark, "OMB, DoD Agree On \$523B 2013 Budget; Budget Chicken Begins," *AOL Defense*, 2 December 2011. Reports on 2013-2017 budgets from leaked OMB memo.

DoD News Briefing with Secretary Panetta and Gen. Dempsey at the Pentagon, 10 November 2011. Panetta asserts \$260 billion reduction goal for 2013-2017.

National Defense Budget Estimates for FY 2012 (Washington DC: Office of the Under Secretary of Defense - Comptroller, March 2011).

Analytical Perspectives, Budget of the United States Government FY 2012, FY 2011, FY 2010 (Washington DC: Office of Management and the Budget, 2011, 2010, 2009), Table: Budget Authority and Outlays by Function, Category, and Program.

DoD Budget Briefing, Fiscal Year 2012 DoD Budget Request (Washington DC: Office of the Under Secretary of Defense - Comptroller, February 2011).

Budget Control Act of 2011, US House of Representatives, Committee on Rules, August 2011, pp. 14-17, 43-52.