

# DefenseNews

## Get Serious About Reform

### Budget Challenges Will Force Hard Choices

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During the past decade, the U.S. Defense Department has enjoyed a rise in its budget unprecedented since the Korean War. With President Barack Obama's fiscal 2011 budget request, it is up nearly 100 percent in real terms from its post-Cold War low. But few observers believe that this level of spending can continue in light of the mounting national debt. So it is wise to think now about options for savings.

A way to begin is to ask, what has driven budgets so high? Obviously, the wars are part of the answer. But they account for only 20 percent of today's expenditures. And they are the least likely targets for economizing.

It is more fruitful to reflect on the shortcomings in past efforts at defense reform. Can we do it better? It is also worth thinking about the practice of force modernization during the post-Cold War period, which has been distinctly undisciplined.

The end of the Cold War presented a unique opportunity - as well as a manifest need - for the structural reform of our defense posture. The force reductions of the 1990s necessarily risked decreased efficiency, due to the loss of economies of scale affecting support activities and equipment acquisition. The standard solution to such problems is to restructure as one gets smaller, matching reductions in size with a reduction in complexity - a practice the DoD did not, for the most part, follow.

Although smaller, DoD and the services have largely retained or even increased their complexity. For instance, there are today 50 major commands either one step above or below the service level - not much different from during the Cold War.

In our recent study of budget trends, we identify a dozen areas where significant changes had been proposed in the 1990s. These involved service roles and missions, consolidation of various support and training functions, and recentering budget and acquisition planning at the joint level.

In addition, the need to reform DoD's acquisition, logistics and financial management systems has been evident for a long, long time. However, only two reform initiatives - competitive sourcing and military base closures - were pursued far enough to yield significant annual savings, and these have not amounted to more than 4 percent of the defense budget.

There also was hope in the mid-1990s that a "revolution in military affairs" might lead to new efficiencies. We would reap more bang for the buck by means of increased battlefield awareness, improved logistics, increased capacities for standoff precision attack, and the networking of units within and across services.

In some areas, such as precision attack, capability has dramatically increased. Theater logistics also have improved. But nowhere has the revolution in information technology led to manifest and substantial savings. Rather than supplanting legacy capabilities and platforms, the new technology has mostly just supplemented them.

In prospect, the evolution of net-centric warfare might reduce the need for redundant capabilities. But progress toward the services sharing a common nervous system has been slow and mostly involved special operations units and precision ground attack. Generally, netcentric capabilities exist as an anemic overlay to traditional service-centric structures and assets.

DoD and the services have faced little pressure to economize or transform during the past decade. This is also evident in equipment acquisition.

We can discern three distinct acquisition trends at work in recent decades. First, there are legacy programs that came forward from the Cold War period with considerable institutional momentum. Second, there are programs reflecting the revolutionary potential of new information technologies. Finally, there are adaptive programs, such as the recent mass purchase of Mine Resistant Ambush Protected vehicles, that correspond to new mission requirements.

In an ideal world, the imperative to adapt to new missions and circumstances would draw on the revolutionary potential of new technologies to rewrite or supplant legacy programs. But this has not happened.

Too much of the \$2.5 trillion in modernization funding since 1990 perpetuated the status quo circa 1990. Transformational acquisition was mostly restricted to producing supplements, such as Predator drones, to the legacy arsenal. And adaptive acquisition was largely delayed until field experiences forced a flurry of ad hoc efforts beginning six years ago.

The Pentagon's central authorities have done too little, too late to compel the integration of modernization efforts along adaptive lines. Legacy, transformational and adaptive modernization have lurched forward together, but poorly integrated and competing for resources. And yet, even though modernization spending now surpasses that of the Reagan era, no one is happy with the result.

For 10 years, Congress and the White House have been permissive when it comes to defense spending; this has undercut any impetus for reform and prioritization. Obama's decision to further boost the defense budget suggests that this dysfunction will persist for a while, but this, too, is a bubble that will burst. Preparing for that eventuality means revisiting options for structural reform and getting clearer on our strategic priorities.

By Carl Conetta, right, and Charles Knight, co-directors of the Project on Defense Alternatives. Their recent study is titled "An Undisciplined Defense: Understanding the \$2 Trillion Surge in U.S. Defense Spending."