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The Pentagon's Most Expensive Weapon

by Jim Arkedis

When President Obama signed a \$680-million military policy bill last month, he fulfilled a promise to reform defense spending, slashing more weapons systems than any president had in decades. Left to wither were big-ticket programs like the F-22 fighter jet, the Combat Search and Rescue helicopter, the Airborne Lasers, and the Future Combat Systems. Conceived during the Cold War, these systems have come under criticism for their cost overruns and irrelevance to today's unconventional conflicts.

The weapons bill represents a win for the president and Secretary of Defense Robert Gates. Gates, in particular, has made a mission of reforming Pentagon culture and breaking the grip of the military-industrial-legislative complex. But the reform of the procurement process hasn't pleased everyone. For liberals, it doesn't go far enough. Just before the November 2008 election, Rep. Barney Frank (D-MA) had called for an across-the-board 25-percent cut in defense spending, saying we didn't need "all these fancy new weapons."¹ On the other side of the aisle, Sen. James Inhofe (R-OK) and Sen. Saxby Chambliss (R-GA) have accused Obama of "gutting" the defense budget.

It's not surprising that weapons systems draw all the attention when defense spending reform comes up. They translate into jobs that defense contractors spread cunningly across the nation's states and congressional districts. But the "guns versus butter" debates between liberals and conservatives miss a key point.

About the author

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It's not just weapons that drive defense spending through the roof – it's the people, too.

According to its official budget, the Defense Department will spend \$533.8 billion in 2010 in the following categories:

- Personnel: \$136 billion
- Operations & Maintenance: \$185.7 billion
- Weapons Procurement: \$107.4 billion
- Research & Development for Weapons and Technology: \$78.6 billion
- Other: \$26.1 billion

The personnel figure, however, doesn't come close to capturing what America is really spending on defense personnel. According to PPI's calculations, the real price tag is much bigger: \$301.1 billion each year, 121 percent higher than the Pentagon's figure. In other words, if you want major savings in defense spending, cutting weapons systems and the ever-elusive "waste, fraud and abuse" won't take you far enough.

The point here is not that our military spends too much on people. It's that personnel costs are the untold story in the defense spending debate. The U.S. military has grown 50,000 troops larger since 2001. At the same time, America has been embroiled in two counter-insurgencies that depend more on boots on the ground than planes in the sky or ships at sea.

The new emphasis on manpower-intensive counterinsurgency will have enormous repercussions on defense spending long after the wars are over. The aim of this report is to raise awareness among policy makers and the public about the real costs of U.S. military manpower.

It deconstructs the budgets of the Departments of Defense and Veterans Affairs to develop a more accurate overall measure of spending on America's war fighters across their lifetime.

Calculating the Actual Cost of Manpower

Oddly, the Pentagon doesn't even agree with itself about the total cost of military personnel. One of its public relations documents, titled "Taking Care of People," says the Pentagon will actually spend \$244.6 billion – or over \$100 billion dollars more than the personnel account – on America's service members in fiscal year 2010.²

The Pentagon arrived at this figure by adding salaries of both active duty service members and civilian employees, plus services found under other accounts within the Pentagon's budget, such as family support and housing. To this, the Pentagon adds costs partially paid out of the Department of Veterans Affairs, like military health care.

Line Item	Agency Budget	Amount (billion)
Military pay and benefits	DoD	\$117.6
Military health care	DoD/VA	49.0
Family support	DoD	9.2
Single housing	DoD	1.8
Civilian pay/benefits	DoD	67.0
Subtotal		\$244.6

Source: Department of Defense

Fair enough. The \$136 billion line item for personnel costs in the Pentagon's 2010 budget is incomplete because it does not fully account for the indirect and lifetime costs of military personnel. However, the DoD selectively included pay and benefits that are not counted

in the “Taking Care of People” calculation, while acknowledging other health care costs. Moreover, while it includes certain support costs for personnel,³ it ignores indirect costs associated with housing, moving, and transportation of personnel. And while it includes some benefits paid by the Department of Veterans Affairs,⁴ it omits VA retiree benefits.⁵

A more accurate calculation of U.S. defense personnel spending should encompass three aspects of a soldier’s cost to the military:

1. The service member’s active association with the military. This period counts pay and benefits disbursed to personnel on active or reserve duty.
2. The indirect costs associated with active duty personnel that are vital to their ability to serve, such as housing and transportation.
3. The service member’s passive association with the military. This includes retiree and health-care benefits and services provided by the Department of Veterans Affairs.

In a sense, everything from housing for enlisted troops to cataract surgery for the Vietnam vet must be counted to capture what the U.S. really spends on its military personnel. Taking all that into account, we arrive at the following calculation from the 2010 line items in the budgets of the Department of Defense and Veterans Affairs:

Line Item	Agency	Amount (billion)
1. Active Association Direct Costs		
Military pay	DoD	\$117.6
Retirement benefits	DoD	23.7
Retiree health benefits	DoD	10.7
Miscellaneous benefits	DoD	13.1
Defense Health Program	DoD	28.0
2. Passive Association with Military		
Military health care	DoD/VA	21.0
VA entitlements	VA	56.9
3. Indirect Personnel Costs		
Single housing	DoD	1.8
Family support	DoD	9.2
Transportation	DoD	11.8
Subsistence of persons	DoD	1.2
Communications/utilities	DoD	6.2
TOTAL		\$301.1

By this reckoning, in 2010, the U.S. government will spend a grand total of \$301.1 billion on active duty and retired personnel, or 56 percent of what America spends on national defense. If DoD's budget included the VA's 2010 planned outlays for entitlements, health care and family support, the baseline Pentagon budget (excluding Iraq and Afghanistan) in 2010 would swell from \$533.8 billion to \$638 billion.

In short, U.S. defense spending is so high mainly because we maintain a highly professional, all-volunteer force and because of the global reach of America's foreign policy. Ultimately, what we spend on defense reflects our foreign policy commitments. Much of America's robust internationalist foreign policy is due to clear national security interests, as in Afghanistan. However, cost considerations must be part of the discussion, be they a decisive factor or not, when we talk about deployments. We may decide that the cost is worth incurring to keep our country safe, but being equipped with the knowledge of how much a deployment will cost us is simply a matter of good governance.

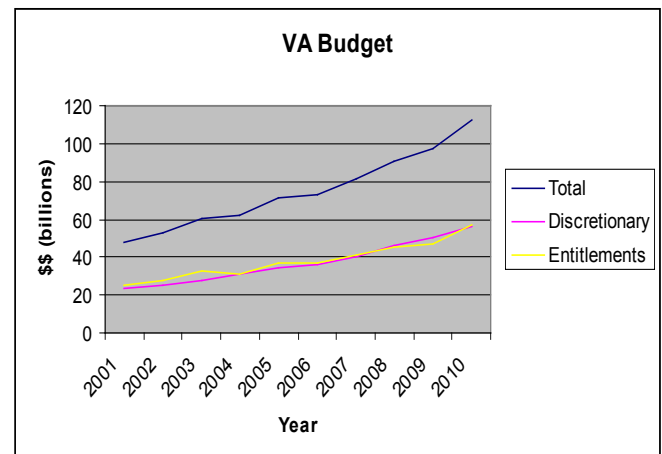
Soaring Personnel Costs

A perfect storm of extended overseas deployments and an expanding military will have ramifications on the Pentagon's personnel spending obligations for years to come.

In 2001, there were 1.39 million troops on active duty; today, there are 1.44 million. The end-strength will continue to rise, assuming President Obama keeps his campaign pledge to increase the military's size by 92,000 soldiers and marines. In July 2009, Secretary Gates called for an additional 22,000 Army soldiers, saying the persistent pace of operations in the two wars over several years has meant a steady increase in the number

of troops who are wounded, stressed or otherwise unable to deploy with their units.⁶ In short, that's an ever-expanding pool of overseas deployments, potential casualties, and lifetime benefit obligations.

The Department of Veterans Affairs budget tracks these accelerating obligations. Before America deployed to Afghanistan and then Iraq, the VA's budget was \$48.2 billion. As a result of those deployments, the VA budget has skyrocketed 134 percent to \$112.8 billion in 2010.⁷ The spending, with a few annual variations, remains approximately a 50-50 split between discretionary costs – the bulk of which is devoted to medical care – and entitlement programs for veterans.



Source: Department of Veterans Affairs

As the Obama administration moves to curtail American involvement in Iraq while devising a new strategy in Afghanistan, Congressional Budget Committee Chairman Rep. John Spratt's (D-SC) prediction at a PPI event in February seems prescient: "I have a sneaking suspicion that the near-term costs are going to outweigh the near-term savings."⁸ As those deployments end over the next several years, the best-case scenario is that VA spending will remain at the current elevated plateau.

One simple, but ultimately ineffective, way of reforming military spending on personnel is to cut the salaries and benefits of the men and women who have joined the U.S. military.

However, that prescription treats the symptom and not the root of the problem. Moreover, it would penalize the hard-working men and women of the armed forces who perform their duties admirably—clearly not an option.

Another way to get costs down would be to return to the draft. But that would diminish our military's prowess and morale—again, not an option for the U.S.

The problem of rising personnel costs can only be addressed from higher up the chain. Extended deployments overseas invariably increase costs because of the strain they place on the force—in casualties, logistics, sustainability, and recruiting and retention costs. Once the force has recovered from Iraq and Afghanistan, it is incumbent on America's civilian leadership to carefully weigh the extended cost burden placed on the Pentagon's personnel account when plotting our global security strategy. In short, America must choose its wars and deployments carefully, as exploding personnel costs are the untold story of Pentagon spending in 2010 and beyond.

None of this is to argue against sensible procurement reforms. Debates over which weapons to cut and which best serve America's new foreign policy objectives and war-fighting doctrines are necessary. The White House needs to impose fiscal discipline on a Congress that doesn't like to make tough choices.

However, debates about defense spending should be informed by realism about what really drives up costs. Our analysis yields a clear conclusion: it's the people, stupid. America spends a lot mainly because its force is asked to do so much. Any clear-eyed assessment of Pentagon spending needs to take the costs and benefits of our overseas commitments into account.

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About the Progressive Policy Institute



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