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DEFENSE IN DECLINE:
A STRATEGY - CAPABILITIES MISMATCH

BY

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ABSTRACT

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The Department of Defense budget has been on a steady downward trend since the beginning of the drawdown in 1987. The impact of the drawdown is now beginning to show on both readiness and modernization. In the late 1980s, with the breakup of the Soviet Union and the end of the Cold War, it was obvious the U.S. Armed Forces needed to downsize. What was not so clear was how far downsizing should go. Now, with current resourcing levels, we are undermining our ability to deploy robust and flexible military forces as specified in the National Security Strategy and, it can be argued, are mortgaging our future to buy today's readiness.
The Department of Defense (DOD) budget has been on a steady downward trend since the beginning of the drawdown in 1987. The impact of the drawdown is now beginning to show on both readiness and modernization. There have been recent instances where U.S. Army divisions failed to achieve their expected level of readiness. Major modernization initiatives to field replacements for aging weapons systems, combat vehicles and support vehicles have been extended over time, abandoned or severely cut down. The Army is maintaining current readiness as its first priority at the expense of modernization accounts. Consequently, cancellations and delays in current modernization will arguably have a negative impact on future readiness.

The United States is on a dangerous path with the level of resources being dedicated to its armed forces. In the late 1980s, with the breakup of the Soviet Union and the end of the Cold War, it was obvious the U.S. Armed Forces needed to downsize. What was not so clear was how far downsizing should go. Now, with current resourcing levels, we are undermining our ability to deploy robust and flexible military forces as specified in the National Security Strategy (NSS) and, it can be argued, are mortgaging our future to buy today’s readiness.¹

This paper briefly outlines the issues that are leading us down this path by reviewing defense budget trends, modernization trends and projections, and current and future readiness
concerns. Finally, the relationship between these trends, our national security strategy and the capabilities of our military are examined.

The Shrinking Budget

It appears that cuts in the defense budget are proceeding without any clear vision of where we are headed. With the Bush Administration’s Base Force, we began a move to what we thought was the bottom limit, only to be faced with a different limit when the Clinton Administration took office. There is little confidence that the Bottom Up Review (BUR) force structure will last. The perception is we are making cuts based on whatever sells in budget negotiations between the Congress and the Administration, and little attention is being paid to the requirements of the national security strategy.

The following gives a flavor for the level of cuts the DOD and the Army have endured. In 1989, defense accounted for $304 billion, or 27% of national outlays; in 1996, defense accounts for $262 billion, or 16% of national outlays. This decrease has come at a time when total outlays increased from $1.14 trillion to $1.61 trillion.²

The real growth of the Army has decreased from -1.4% in 1989 to a low of -11.2% in 1991, ending at a level of -6.4% in 1996. However, the most telling figure is the funding level of
research, development, and acquisition (RDA). In 1989, the Army’s RDA program accounted for 24% of the Army’s total budget; in 1995 RDA accounted for 15% and in 1996 RDA will account for 13%. At the same time, Operations and Maintenance accounted for 19% of the total budget for both 1995 and 1996. The Army has stabilized readiness funding at 1995 levels at the expense of modernization, at least in the near term. This issue is addressed later in this paper.

Most critics will say the shrinking defense budget, in relation to growth in the overall economy, is about right. We knew defense needed to shrink and it is continuing to do so. Perhaps a more disconcerting phenomenon however, is the increasing growth of entitlement spending and the potential impact it has on defense in the long term.

"Just three decades ago, nondiscretionary spending accounted for approximately one-third of annual outlays, while discretionary programs accounted for roughly two-thirds. These budget shares have been reversed, and, by the late 1990s, nondiscretionary spending may account for as much as 70 percent of total federal outlays.

Much of the past growth in nondiscretionary spending has occurred in social welfare entitlements, such as social security, Medicare, and Medicaid. These programs are expected to maintain very high rates of growth in the future as demographic and economic factors raise the cost of retirement and healthcare benefits. Discretionary program growth has lagged well behind entitlement growth, and with tight discretionary spending limits in effect, the relative size of the discretionary budget will continue to decline. The spending constraints affecting defense, therefore, include the indirect effect of entitlement program
growth, as well as the direct effect of competition with discretionary domestic needs. Indeed, the fate of the defense budget seems inextricably linked to the future course of entitlement policy."

While it appears there is at least modest movement in Congress now to curb the growth of the major entitlement programs, real results have been slow in coming. Whatever progress is achieved in this area will inevitably be a result of compromise between two political parties who appear to have opposite opinions on how to correct the problem. Additionally, the American public has very little, if any, understanding of the significant growth of entitlements and the potential effect continued unchecked growth will have on our ability to fund the defense budget, or any other discretionary program, at any realistic level. Until the public becomes educated on this issue, there may not be much political pressure on the President or Congress to make any significant changes.

This all paints a fairly gloomy picture for the future of defense budgets. While it can be debated, I believe we’ve cut too much and need to stop and maybe even reverse course. If there is agreement that we’ve cut too much, then there should also be agreement that we should increase future defense budgets to keep our defense capability at the high level expected by the American public. What this discussion of the entitlement problem indicates is that even if we all agree to reverse course, it may
not be possible. "The broader lesson to be drawn from the 1995 budget policy debate is that serious deficit reduction, and especially budget balance, will make it very difficult to raise defense budgets appreciably, even if the political environment remains favorable to defense."  

**Modernization**

The Army has significantly revamped its modernization program over the last several years. Prior to 1992, there was a program developed to modernize all armored vehicles—the Armored System Modernization Program. The program was fairly extensive and included modernizing or replacing numerous weapons systems and combat vehicles, including replacing the Abrams tank with a Block III tank and replacing the old M109-series howitzer with the advanced field artillery system (AFAS), now called the Crusader. The only part of that program that remains in the plan is the howitzer.

Another program that has taken significant cuts is modernization of the Army's helicopter fleet. All that remains is the Comanche program, which is not currently fully funded.

The point is, we are gutting our modernization programs and settling for what we can buy with the limited funds allocated. These things we call our most critical systems. "Desperate funding shortages in service modernization accounts have led to
concerns among the Army's leadership that its force of the next century will lack the ability to overwhelm potential foes as it did during the Persian Gulf war. This has led to a full-scale attack on programs of marginal battlefield utility. The service has "to make some very tough calls about what are the most critical weapon systems' needed in the future, Gen. Ronald Griffith said in an Oct. 11 [1995] interview."7

There are those who will argue that we can field a much smaller military and still maintain the same superiority demonstrated during Operation Desert Storm through technological advancements--but can we? "With procurement and RDT&E [Research, Development, Testing and Experimentation] funding being reduced significantly, it will be very difficult to provide the advanced weaponry for this force without extremely prescient selectivity."8 Who knows exactly what we will need in twenty years? Because the procurement budgets have been reduced so much, you have to predict, with significant accuracy, what you are going to need 10 to 20 years in the future. We can only afford to buy selected weapon systems. If your prediction is wrong, you risk significant problems for the Army and the military establishment overall. Worse case, you risk losing a future conflict. I'm not convinced we can predict with sufficient accuracy what the most critical weapons systems will be in the distant future.
But, it doesn’t seem that we’re even funding the most critical systems. It appears to me the most critical systems are tanks, Bradleys, howitzers and helicopters. Of these, we are only currently funding one for certain and one maybe.

The opposing argument is that we don’t need to modernize systems that are still the best in the world. While there is some validity to this argument, the other issues that must be addressed are the age of the fleet and the length of time it takes to fully field a major weapon system, acquisition reform notwithstanding. Eventually, a fleet will age to the point where it is no longer economically feasible to continue adding product improvements. By this time, ideally, we have developed the replacement system so we can begin to remove the old systems from the inventory.

Many of our newer systems are rapidly approaching their “wear out” point. With the current development cycle time of around ten years, when do we start the replacement process and will we have the modernization funding to do it? The implications seem obvious.

We haven’t yet talked about Force XXI initiatives. These improvements involve mostly add-ons or replacements, such as digitization devices and computer technology to existing weapons systems and other combat vehicles. But these add-ons will not be cheap. Can we afford to continue Force XXI initiatives that will
require modifying virtually every combat vehicle in the Army? Will we include the reserve components? Can we afford to? Or will we only apply the add-ons to the so-called first to the fight forces? What happens if we begin to apply the Force XXI add-ons and run out of funds halfway through? Will we be able to deploy a force that is only partially fielded and expect them to fight and win the next generation battle? Obviously, these are tough questions that are not easily answered, and are beyond the scope of this paper. But, these answers are critical to the continued success of Force XXI initiatives.

Another issue facing the Army's senior leadership is how to increase funding for its must do modernization requirements. At the confirmation hearings for Army Chief of Staff General Reimer, a question was posed about the practicality of decreasing Army endstrength an additional 20,000 soldiers, from 495,000 to 475,000, in an effort to free up an estimated $800 million to fund needed modernization. This question gave rise to Gen. Reimer's "efficiencies" initiatives; an attempt to stave off additional cuts in endstrength by finding sufficient efficiencies to provide the modernization funding. The implication of the question alone suggests that we still do not know where we are headed with defense cuts and the cuts are in no way tied to a coherent strategy.
Finally, very little has been said about infrastructure revitalization - capital investment. The current state of military housing for both single soldiers and families is poor at best. It would take a significant amount of investment to get these housing programs on the right level to ensure adequate housing in the future. In 1989, military construction accounted for only 2% of the Army’s program; in 1995, the percentage has only improved to 3% and in the budget request for 1996 military construction is 4%. While this shows an upward trend, the level of increase does not appear to be sufficient to remedy the problem. In fact, military construction funding for troop housing decreased between 1994-1996, going from $331 million to $284 million to $201 million respectively.\(^{10}\) The longer we go without seriously addressing this problem, the worse it will get and the expense to correct it will increase exponentially.

As a means of addressing this problem, initiatives are underway or being considered to privatize elements of both family housing and single soldier housing. Are we pursuing privatization because it’s more cost effective or because we haven’t the resources now, nor will we have them in the future, to adequately fix the problem? Military construction remains a competitor to both readiness and modernization for scarce funding.
Readiness

It can be argued that we are not funding modernization at a level that allows us to ensure future readiness. The Army Comptroller’s office in its Army Budget Greenbook says, “The Fiscal Year 1996 budget request ($59.5 billion) is $3.5 billion lower than Fiscal Year 1995. Near term readiness has been fixed, to the extent possible, by funding our Operation and Maintenance account at fiscal year 1995 levels....We have chosen to defer complete modernization and infrastructure revitalization, therefore we will continue to improve existing systems and replace only those that we can no longer upgrade. The fiscal year 1996 procurement is limited.”

In addition to future readiness, there is concern about current readiness. The Army’s position is that current readiness takes priority. Other programs, including modernization, take a back seat to readiness. The question is how successful have we been at maintaining current readiness? Units are working through shortages in both personnel and funding for training. Personnel shortages are said to be a result of overstructure, because the Army has not reached the 10 division structure yet, which means we are manning more units than we are provided personnel for. This problem will supposedly be alleviated when the Army finally reaches its 10 division structure.
Funding shortfalls in units impact the amount and quality of training events they can conduct. Additionally, funding shortages affect the maintenance operations of a unit, limiting the amount of repair parts available or extending the amount of time required to receive particular parts. All of this affects training; if a vehicle is nonoperational, it cannot be used for training.

Increasingly, you read about the Army continuing to fund the Contingency Force Package (CFP) 1 units, or so-called first to the fight units, at appropriate levels—for both readiness and modernization. This is a dangerous proposition for several reasons. First, who says these units are going to be the first to be deployed? Are there no plans currently on the shelf that require something other than the contingency Corps to deploy first? Second, when you emphasize funding for what most recently has been only one corps and its associated support elements, what is the readiness and modernization level of the soon-to-follow forces? In a recent Defense News article, Brigadier General Johnny Riggs, the Army’s Director of Requirements for the Deputy Chief of Staff for Operations and Plans, is quoted as saying, “we have a widening modernization gap between force packages.” The widening gap is occurring between the Army’s first to fight units and the rest of the service due to the slow rate at which the Army is reequipping its units, and “could result in thousands of
American casualties in a future war."\textsuperscript{12}

While tiered readiness has been a viable management strategy for some time, the Army appears to be losing control of this gap that is appearing between the different readiness levels. The question that must be addressed by the DOD leadership is how much gap can we afford and still have a force that can deploy to the fight and win—and we probably should assume we will deploy a force larger than one contingency corps.

\textbf{What Are Our Options?}

\textit{Army}. For the Army, it doesn’t appear that some magic pot of money is going to be provided that will solve all of the modernization, readiness and infrastructure problems in one fell swoop. On the contrary, in the short term the Army must follow exactly the path that Army Chief of Staff General Dennis Reimer has pushed since taking office—efficiencies, followed by a continuing fight with Congress and DOD to prevent that money from being reprogrammed into something other than the Army’s shortfall areas.

What is arguably the most problematic of the Army’s shortages, in my mind, is the lack of money to develop a long-term infrastructure revitalization program. By infrastructure, I’m talking mostly about two distinct areas, single soldier housing and family housing. As discussed earlier in this paper,
these programs were largely ignored through the 1980s buildup funded by the Reagan Administration. So, one of the courses of action I would propose would be to change our priority for the expected savings from base closures from investing in modernization of equipment to investing in a long-term infrastructure program. I'm not talking about throwing some money at the issue and fixing a piece of the problem. I'm proposing a program that is based on a "campaign plan" that identifies exactly what needs to be done throughout the Army, determines exactly what the cost will be to do the work, and then sets out a plan that gets the work done in a reasonable period of time. This campaign would be managed at the Department of the Army level, with installation commanders providing support as needed. The base closing savings would then be applied to that campaign plan as first priority; then, if there is some base closing money remaining, it could be applied to modernization of equipment.

Obviously, this plan for infrastructure would have to be sold to Congress. Part of the campaign plan would involve bringing Congressmen to our Army posts to show them exactly what conditions our soldiers and families are living in and what it will take to fix the problem.

If we expect to have any success at selling this type program, we must stop showing visiting dignitaries our model
areas. They need to see the day-to-day environs that the soldiers live and work in before we will ever get their support to correct the problem.

Addressing the problem of modernization now becomes more difficult. Most modernization initiatives would be scaled back to developing plans and prototypes to be further developed when money is made available and when a new piece of equipment is absolutely needed to replace one that is no longer serviceable. This track assumes a certain amount of risk, mainly a risk of whether the Army will have the equipment needed to successfully fight the next war. The Army must come up with a way to present its case to DOD in a way that prevents it from being shorted in the competition for funds between the services.

Department of Defense. For the DOD, the first course of action is to push for a national security strategy that we can plan against, one that is accepted enough in Congress and the Administration so that the military structure it prescribes will be supported by budget authorizations.

Our current strategy, outlined in the Bottom Up Review (BUR), requires the capability to fight two nearly simultaneous major regional conflicts. Since the BUR was made public in September 1993, this requirement has been a subject of debate from several aspects; first, what is the probability of having to wage two conflicts simultaneously; and second, can the military
handle it given current resources? "The BUR ...insists that the military be able to wage two 'major regional conflicts' nearly simultaneously. The improbability that Clinton's force could sustain that burden, and the equal unlikelihood that it would ever have to, are heated debating points. More pressing is the manifest inadequacy of projected Pentagon budgets to pay for the BUR's battalions."^{13}

The long term implications of allowing military structure to be dictated by the ever-changing budget debate are disturbing. "The United States has a national military strategy that must be supported, but defense budgets have been set, and continue to be set, independent of that strategy. For the Clinton administration in 1993, defense requirements were subordinated to deficit reduction and to domestic policy initiatives. For congressional Republicans in budget and tax cuts."^{14} Even if you reach a point where most agree we've cut too much, it would be significantly difficult to stop the cutting without a viable, accepted strategy on which we can base a military structure.

There appear to be two options to correct this—continue with the current strategy as specified in the BUR and fund a military structure that supports that strategy, or conduct another analysis that results in another strategy. In either case, in the end we will have to budget to our strategy and build a military capability to fit that strategy, rather than following
the strategy-to-budget course that we’ve been on lately.

One example of an alternative strategy is postulated by Michael O’Hanlon, a research associate in the Foreign Policy Studies program at Brookings Institute. He argues that you can reduce forces with a strategy that relies on rapid projection of sufficient ground force to deter, coupled with a fairly powerful air capability and some coalition support. “Crudely put, U.S. military strategy for regional warfare could shift from the Desert Storm model to the Desert Shield model, building on the experience of the 200,000 U.S. troops deployed in 1990 to defend Saudi Arabia from any possible Iraqi attack rather than the 500,000 later deployed to liberate Kuwait. The goal would be, through rapid deployment, to deter regional conflicts and, if necessary, to prosecute one or two of them—primarily from the air and largely if not exclusively over the territory of the adversary. U.S. military capabilities in transport, rapid deployability, and prepositioning would be expanded further under this policy. But active ground forces could be cut back by roughly two divisions, reserve ground forces by roughly six division-equivalents, and tactical combat aircraft by nine wings (counting Navy, Marine, and Air Force elements) from the proposed BUR force.”\textsuperscript{15}

O’Hanlon includes four other points in his strategy. His second point is that the U.S. could conclude that we do not need
significant major weapons modernization programs, at least not in the near term. Our focus should be on precision strike and the use of sensors and munitions to support that focus. Third, we could conclude that nuclear weapons are more dangerous than they are worth and they should not have a place in our strategy greater than the minimum needed for deterrence. This conclusion would allow more cuts in offensive forces and nuclear related programs, such as nuclear testing and strategic defenses, while increasing controls over nuclear components.

O’Hanlon’s fourth point is that our recent involvement in peacekeeping operations could be construed as a replacement of sorts for forward presence normally performed by Navy and Marine forces, thus providing savings opportunities in Navy and Marine assets. Finally, O’Hanlon believes more should be expected of the United Nations in peacekeeping operations, as far as encouraging other nations to contribute more to peace operations and reducing U.S. commitments.

Overall, this proposal would provide a net annual savings of roughly $20 billion, once phased in by 1999. However, there are some holes in this argument. First, concluding that we could prosecute a regional contingency without any major weapons system modernization programs may be arguable in the near term (less than ten years), but certainly not over the mid- to long-term. Let's face it, eventually major weapons systems are going to wear
out, be overcome by technological advancements or be outpaced by our adversaries gaining the technological edge. Building a strategy on this premise would be foolhardy. Second, as Ippolito points out, a "serious shortcoming of the...study is the failure to acknowledge that its reduced defense levels (or any other so-called 'moderate options') cannot be maintained unless an adequate margin for discretionary spending is preserved."\(^{17}\)

Third, relying on peacekeeping operations to replace forward presence does not give us the flexibility to select those areas where we would want to have forces forward deployed. There are regions in the world where our national interests dictate we maintain forward presence; they won’t necessarily have a peacekeeping operation ongoing. In general, I think our forward presence has been cut to the minimum already. Any further cuts and it will be virtually nonexistent and certainly ineffectual.

At this point, one could conclude that no strategy is without flaw and arguments will be made both positive and negative. Further, no strategy will be fully accepted sufficiently to ensure it is fully funded in the budget process. Our current thirst for defense savings will likely overcome all of these arguments until the American public and its lawmakers fully understand the problem of budget makeup—the growing entitlement share versus the shrinking discretionary share and the implications that this makeup has on the defense budget.
Conclusions

So what does it all mean?. It seems, at least in the near term, we are looking for a balance between current readiness and minimum modernization requirements. We cannot maintain adequate minimums in both areas. It is not too much of a stretch to suggest that we are not doing too well at either maintaining current readiness or funding minimum modernization.

The most recent deployments of the Army indicate a highly capable force that is combat ready. However, a close look inside the Army will find the decay of readiness and the impacts of not funding modernization at minimum levels. What you find decaying today will only get worse because there are no real increases in the near future in any Army budget accounts.

The Army's leadership is in a "no win" situation. With regard to funding current readiness above modernization, there doesn't appear to be much choice available. We are in what I think is a waiting game, though what we are waiting for is uncertain. We may be waiting for the politicians to realize the level they've brought us to and legislate some real corrective actions. Or maybe we are waiting for a programmed increase in funding that will allow us to address the problem--the next forecasted significant increase in modernization funding appears to be in the year 2001, based on the latest Future Year
Development Plan (FYDP). It may even take a major conflict to show the level we’ve reached.

Are we mortgaging our future to buy today’s readiness? In my opinion, the answer is yes. Do we have a choice? I don’t think we do. We have been put on a path by the Administration and the Congress that will not change until they figure out what they want us to do and what we are to do it with. That may not happen until after the next presidential election in November 1996, if then.

Is there a balance that we can come to given current spending levels? I think it will be very difficult to reach a meaningful balance until we stop the current “freefall” of defense funding and stabilize a funding level based on our strategic requirements. Gaining a better public understanding of the budget issues would help in exerting the appropriate pressure on Congress and the President to make appropriate changes. “For the United States, establishing a reasonable balance between defense and nondefense needs depends upon a realistic understanding of budget policy. It is absolutely clear that the past investment in defense served the U.S. well in winning the Cold War, and this investment neither starved domestic needs nor created enduring deficit problems. It is equally clear that even very severe cutbacks in future defense levels will have only a modest impact on structural deficit problems. Therefore, as one
assesses the almost casual abandonment of the base force and its replacement by an undefined but less-costly alternative, it is difficult to resist the conclusion that the United States is trading off important and enduring military capabilities for ephemeral short-term savings."\(^{18}\)

That leads us back to the National Security Strategy. It says we "must deploy robust and flexible military forces...." In the introduction to the National Security Strategy, it states, "the President has also set forth a defense budget for Fiscal Year 1996-2001 that funds the force structure recommended by the [bottom-up] review, and he repeatedly stressed that he will draw the line against further cuts that would undermine that force structure or erode U.S. military readiness."\(^{19}\) I believe we have passed the point where the line should have been drawn, and what has been done most recently to bolster readiness and address quality of life issues is a small band-aid on a large wound.
Endnotes


3Ibid., 5.


8Ippolito, Blunting the Sword: Budget Policy and the Future of Defense, 159.


10The Army Budget Greenbook, 5, 47, 50.

11Ibid., 3-4.


Brookings Institute, 1995), 30.

16 Ibid., 30-32.

17 Ippolito, "Federal Budget Policy and Defense Strategy,"

18 Ippolito, Blunting the Sword: Budget Policy and the Future of Defense, 171-172.

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