



# Cato Institute Foreign Policy Briefing No. 22: Politics and the National Defense: The 1993 Defense Bill

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## Executive Summary

Pork-barrel politics has long plagued the defense budget process, wasting untold billion of dollars and distorting the composition of the military. Though policymakers have used the national defense to serve parochial interests for some time, the past year has brought particularly egregious examples of the practice. During the Cold War, the presence of a formidable enemy provided a plausible reason for continuing programs of dubious value. With the demise of the Soviet Union, it is apparent that programs designed to serve narrow special interests should not be continued. Decisions about national defense should be based solely on security considerations, not the political calculations of officials and their influential constituents. Playing politics with America's defense has serious implications, including damaging the U.S. economy and potentially threatening the nation's security.

## The 1993 Defense Authorization Bill

The Bush administration requested \$281 billion for the fiscal year 1993 defense budget. Congress trimmed the bill of about \$7 billion for a final defense authorization of \$274 billion. Although the changes appear to be marginal, they are not. To arrive at the revised figure, Congress did not simply cancel programs it considered unworthy; instead, it made significant alterations to the military budget, adding over \$4 billion and subtracting nearly \$12 billion.

The bill contains a tremendous number of expenditures that are, at best, only tangentially related to national security. Just a few of the unnecessary items in this year's defense bill are the establishment of an Acquisition Fellowship Program to allow the Department of Defense to provide up to 25 employees with advanced training in acquisitions (as if the Pentagon did not have enough expertise in that area); homeowners' assistance for individuals affected by Hurricane Andrew; \$10 million for environmental scholarships and training; \$15 million for "infrastructure assistance to historically Black colleges and universities"; \$38.5 million for "geosciences, biodegradable agricultural products, and bioremediation education science and technology centers"; \$3 million for Arctic Ocean data collection; \$6 million for the World University Games; \$9 million for the World Cup Games; \$2 million for the Olympic Games; \$23 million for AIDS research; \$210 million for breast cancer research; and on, and on, and on. Some of those programs may be useful, but their merits should be publicly evaluated. Funding for such programs should not be inserted in the defense bill for political reasons. Although the figures cited are only a small portion of the military budget, they demonstrate the absurdity of much of what passes for defense spending.

In fact, the bill is intended to cloak the political games routinely played by congressional committees. In a speech on the Senate floor decrying pork in the FY93 defense budget, Sen. John McCain (R-Ariz.) argued:

The thousand or more pages of report language and hundreds of pages of bill language are designed to conceal such details. Many words and funding shifts are worked out at the last moment and behind closed doors. Many are hard fought compromises between the public need and private influence. Many are so vaguely worded that it can take the Department of Defense months to fully interpret what they mean.[1]

McCain is correct, and his remarks highlight a legislative process that is fundamentally corrupt.

The FY93 defense bill also greatly expands the purview of the military in American life. Congress, in its support of the establishment of a Civil-Military Cooperative Action Program, argues:

1. Many of the skills, capabilities, and resources that the Armed Forces have developed to meet military requirements can assist in meeting the civilian domestic needs of the United States.
2. Members of the Armed Forces have the training, education, and experience to serve as role models for United States youth.
3. As a result of the . . . ending of the Cold War, . . . there will be a much greater opportunity than in the past for the Armed Forces to assist civilian efforts to address critical domestic problems.
4. The United States has significant domestic needs in areas such as health care, nutrition, education, housing, and infrastructure that cannot be met by current and anticipated governmental and private sector programs.
5. There are significant opportunities for the resources of the Armed Forces, which are maintained for national security purposes, to be applied in cooperative efforts with civilian officials to address these vital domestic needs.[2]

Congress hopes to use military assets to achieve a number of social goals: encourage cooperation between the civilian and the military sectors in addressing domestic needs; advance equal opportunity; enrich the civilian economy of the United States through education, training, and transfer of technological advances; improve environmental, economic, and social conditions; and provide opportunities for disadvantaged citizens of the United States.[3] The budget provides funds for myriad programs of that nature: \$50 million for a National Guard Civilian Youth Opportunities Pilot Program, \$30 million for a Civilian Community Corps Demonstration Program, \$30 million for the board of directors of the Commission on National and Community Service, \$50 million for "civil-military youth service programs," and \$65 million for "defense efforts to relieve shortages of elementary and secondary school teachers and teacher's aides." Such programs, whether they are worthwhile or not, have nothing to do with the nation's defense and should certainly not be within the realm of the DOD budgetary process.

## **Politics and the National Defense**

The preceding examples, which focus on non-defense-related expenditures, represent the tip of the tail of military pork. In addition to purchasing \$2,000 coffee pots and \$700 hammers, seemingly legitimate military programs are used for political reasons. The 1992 election, combined with a weak economy, produced numerous abuses of the defense spending process. Citing the collapse of the USSR, the Pentagon decided to cancel the \$2 billion Seawolf submarine, a weapon designed specifically to combat the powerful Soviet navy, but Sen. Christopher J. Dodd and Rep. Sam Gejdenson of Connecticut, opponents of the Reagan defense build-up, fought desperately to override the administration's decision. Although both argued that the submarine was vital to America's defense needs, a more plausible explanation of their support for the Seawolf was their desire to save thousands of shipbuilding jobs in Groton, Connecticut. Gejdenson attempted to justify his position in a New York Times article. "There are better things to choose to build [than the Seawolf], but the worst thing to do is to choose not to build anything." [4] One does not need a Ph.D. in economics to realize that building obsolete submarines is not the most efficient use of scarce American resources.

Connecticut's other senator, Joseph Lieberman, joined Dodd in proposing a loan guarantee program for countries that want to buy directly from American weapons makers. Thus, Americans could subsidize such products twice, in the production phase and again in the sales phase. Connecticut, of course, is not the only state whose legislators are more concerned about local jobs than national defense requirements. Numerous commentators have noted that the best way to convert a congressional dove to a hawk is to try to cancel a defense contract in his or her district. Rep. Julian Dixon (D-Calif.), who in the past has sponsored plans to reduce defense spending, provides a succinct explanation of the politics of defense pork. "The bottom line is, what is it going to do to my community's economy?" [5]

Even legislators who have previously taken a strong stand against using the defense budget for programs not related to national security have been guilty. In 1991, for example, Sen. John Warner (R-Va.) stated, "At a time when declining defense budgets are forcing the administration and the Congress to make difficult choices . . . I find it completely unacceptable that defense dollars are diverted to projects that have not been reviewed or requested by [the Defense Department]."[6] Yet, in last-minute negotiations, against administration wishes and without debate, he added \$60 million to the 1993 defense budget for night-vision goggles, manufactured in his home state, for the National Guard. In explaining his actions, Warner commented: "Look, any lawmaker thinks in terms of his state and his industrial base. Obviously that influenced my thinking." [7]

It is worth noting that congressional political games can occasionally work against the DOD. For example, the House Appropriations Committee recently voted to eliminate 10,000 positions from Navy headquarters, twice the number it had originally considered cutting. Rep. John P. Murtha (D-Pa.), chairman of the Defense Appropriations Subcommittee, explained that the cuts were related to the notorious Tailhook Association convention at which numerous women had been sexually assaulted. "It's directly connected to the obstruction and arrogance in the Navy." Rep. Steny Hoyer (D-Md.), a committee member, added, "If somebody treated my daughter that way, and I had the authority to do it, I would tear them apart." [8] That attitude, although understandable in a father, is irrelevant to the national defense. If the nation needs those 5,000 naval employees to protect itself from potential aggressors, the positions should be funded. If not, they should be eliminated. Punishment should be directed toward those who participated in the assault; it should not influence decisions about force structure.

The blame for irresponsible spending decisions should not be placed solely on Congress, however. Despite Secretary of Defense Richard B. Cheney's firm pledge that the defense budget would not be a jobs program, the Bush administration was guilty of using defense funds to shore up political support. During a campaign visit to Michigan, an 18-electoral-vote state where General Dynamics builds tanks, Vice President Quayle announced a \$250 million plan to upgrade the M-1 tank. That decision was politically suspect given that the administration had previously argued that the end of the Cold War made the improved tank unnecessary and had for years refused to spend money Congress had allocated for the project. The vice president also traveled to Pennsylvania, home of Boeing Helicopters and 23 electoral votes, to announce a \$550 million contract to develop the V-22 Osprey tiltrotor aircraft. The V-22 is another weapon the Bush administration fought for years to cancel, yet the aircraft apparently became a crucial national security project at the height of the campaign.

The vice president was not the highest administration official handing out defense contracts during the campaign. The president, while visiting hurricane-ravaged Florida, promised to rebuild Homestead Air Force Base at a cost of nearly \$500 million, despite the facts that it had been a candidate for closure and that many other bases were also to be closed. The administration saw Florida, with its 25 electoral votes, as a critical component of the election campaign. In Fort Worth, Texas, where the F-16 is made by General Dynamics, Bush approved the sale of 150 aircraft (worth \$4 billion dollars) to Taiwan. Later in the campaign, the president traveled to St. Louis, where the F-15 aircraft is manufactured by McDonnell Douglas. In front of cheering, flag-waving workers, Bush announced an agreement to sell Saudi Arabia 72 F-15s (worth \$5 billion). "In these times of economic transition, I want to do everything I can to keep Americans at work." [9] Though Bush did not win another term, his actions will cost the American people literally billions of dollars in the years to come.

President-elect Clinton, despite his pledge to trim (over a five-year period) defense spending by \$60 billion more than the Bush administration proposed, gave few indications that he is any more immune to domestic considerations than his opponent. Campaigning in Connecticut during that state's Democratic primary, for example, Clinton made his support of the Seawolf submarine a major issue. Furthermore, he favors development of the V-22 aircraft and the C-17 transport, both of which many analysts argue are unnecessary and plagued with technical problems. [10] Perhaps even more indicative, Clinton suggested maintaining larger National Guard and Reserve forces than did Bush. The Guard and Reserve are powerful lobbies that have resisted budget cuts. They are influential sources of jobs and political support in local communities, and they offer a tremendous benefit to any politician who earns their favor.

Clinton also appeared to favor expanding the role of the military well beyond national security. In a major foreign policy address, he described the Pentagon as "America's best youth training program, our most potent research center and the most fully integrated institution in American life. It's time to put those assets to work at home. . . . there ought

to be some other work for military forces and the National Guard in solving the problems of infrastructure, education, and rural health-- offering the possibility to our military personnel to serve as role models here at home, all the while maintaining their consistent obligation to fulfill their primary military mission." [11] Such plans, which reflect the language of the 1993 defense bill, assume an extremely broad view of the nation's security.

The legislative and executive branches of government are not the only manipulators of the defense budget. The Pentagon, and the network of defense contractors who supply it, must take a portion of the blame. Public choice economic theorists have shown that bureaucrats, much like everyone else, act in their own self-interest. One result is that they seek to maximize the size of their organizations' budgets, since that will result in enhanced resources and opportunities at all levels within the bureau. [12] The military is no exception; it uses a number of techniques to encourage high levels of defense spending. One of the most common is to distribute military dollars to as many important congressional districts as possible. Modern, sophisticated weapons systems are costly and require numerous contractors and subcontractors, which simplifies the process of contract dispersion. Members of Congress, dependent on their constituents for votes, are reluctant to cut defense spending for fear it will adversely affect their districts.

Another Pentagon tactic involves requesting funds for research and development of weapons systems without disclosing the costs of future production. Congress then appropriates money for such projects without understanding the long-term obligations that they entail. Thus, future defense budgets must expand to include funds for such programs. Franklin C. Spinney, a former DOD official and well-known Pentagon critic, describes the end result of such machinations. "The defense power games are stratagems for increasing the flow of money; they are about transferring money from the taxpayer to a central bureaucracy that subsequently disburses the money to a socialistic industry, even if the transfer sacrifices the capabilities of our military forces." [13]

Defense contractors are not the least bit reluctant to participate in such games. They are more than willing to assist the Pentagon in spreading contracts throughout the country, thus building political support for their programs. Spinney points out that when some members of Congress sought to cancel the B-2 bomber, Northrop Corporation, the prime contractor, released data showing that thousands of jobs and hundreds of millions of dollars in profits were at risk in 46 states and 383 congressional districts. [14] Such efforts are not unusual and demonstrate the potency of the "iron triangle" of Congress, the military, and defense contractors, who work together to maintain high spending levels.

## **Domestic Implications**

Domestically, the effect of the politicization of the nation's defense is two-fold: it harms the economy by diverting resources from their most efficient uses and potentially threatens national security by distorting the composition of the military. Each year the United States wastes literally billions of dollars on unnecessary military expenditures. Political maneuvering by the military, Congress, and the defense industry results in the diversion of funds from productive to unproductive uses. Political scientist Hugh G. Mosley describes the effect of defense spending on the economy. "Military expenditure is an economic burden for a nation's economy. Such expenditures represent a government allocation of national resources for a military product that flows neither into consumption, which increases the general standard of living, nor into investment, which benefits society's future productive capacity." [15] Economist Lloyd Jeffry Dumas argues that the misallocation of resources acts as an "economic parasite." Despite the fact that military spending represents a relatively small part of gross national product (about 5 percent in 1993), its impact on society can be "dramatically out of proportion to its relative size." [16] In a paper examining fiscal effects on U.S. economic growth, Cato Institute chairman William A. Niskanen concludes that any growth due to military spending is offset by the negative effects of the taxes or borrowing needed to pay for that spending. [17]

Thus, political leaders who proudly point to the jobs they have created through defense expenditures are, in fact, harming the economy more than helping it. James Anderson, an economic historian, explains how the harm is done in "Bankrupting America's Cities." He compares the amount cities pay in federal taxes with what they get back through local military bases and defense contractors. According to Anderson, for every city that benefits from Pentagon spending, three are net losers. "Taxpayers would be startled if their representatives in Washington announced that they were routinely voting for measures that brought about the permanent loss of billions of dollars from their states, yet this is precisely the case." [18]

When legislators claim they are creating jobs, they are ignoring a fundamental economic principle, opportunity cost. Each dollar allocated to defense is a dollar that is not spent on some other economic good. Every obsolete, politically motivated defense expenditure means that resources that could be used for infrastructure, education, consumption, or other things are unavailable. If resources were allocated to more economically efficient uses, the economy would grow, personal incomes would be higher, and more jobs would be created by enhanced economic activity than by defense spending. Thus, when lawmakers insist that they are creating jobs by spending other people's money, it is only fair that they also tell their constituents the number of jobs they are destroying.

A second, equally insidious effect of unnecessary defense spending is its tendency to distort the military, which affects the readiness and ability of the United States to carry out legitimate security missions. Whenever projects that are not critical to the nation's defense are funded, they take money from programs that are necessary. For example, many of the cuts in this year's military budget were in operations and maintenance, which Congress trimmed by nearly \$3 billion. Thus, defense officials will receive less money than planned for those activities but will be required to spend money on the pet projects of Congress. As a result of such political games, Sen. McCain concludes, "We are pushing our entire military structure towards hollow forces." [19] That practice could jeopardize the security of the United States and expose American troops to unnecessary hazards. Obviously, slicing the operations and maintenance budget in order to pay for costly pork is a very dangerous policy.

### **International Implications**

In addition to slowing economic growth and weakening the military, the politicization of defense has other significant consequences for U.S. foreign policy. For American defense companies, the end of the Cold War has meant a reduction in the federal government's demand for products. Many in the arms industry view increased exports as a substitute for domestic demand. They are joined in seeking out new markets by politicians who are anxious to maintain American jobs--especially in election years. As a result, economic and political considerations are driving U.S. arms sales to other nations, with little regard for their national security implications.

The transfer of powerful weapons to other countries can profoundly affect regional balances of power. For example, the decision to sell F-15s to Saudi Arabia, based primarily on domestic considerations, will probably have a tremendous impact on the Middle East. In addition to increased Saudi strength, other consequences will ripple throughout the region. Washington is under pressure to assuage the concerns of Israel, whose regional military superiority the United States has pledged to maintain. [20] Strengthening Israel's military would alarm other states in the region who would then seek to increase their own defense capabilities. Since the United States is committed to maintaining stability in the region, it finds itself orchestrating a complex security arrangement among the various states. Arms sales made with little regard for foreign policy considerations make dangerous Middle East rivalries even more perilous.

The sale of F-16s to Taiwan presents similar problems. China responded almost immediately, protesting that the United States had broken a 1982 pledge to reduce, and eventually phase out, arms sales to Taiwan. China's leaders view the sale as a threat to their security, much as Taiwan sees Chinese imports of weapons from the former Soviet Union as a threat. The Chinese have said they might purchase more arms from Russia as a way of counterbalancing Taiwan. Chinese purchases of arms would increase the likelihood of the arms race's ratcheting up in the region. As China and Taiwan increased their defense capabilities, Japan, South Korea, and other East Asian nations would feel pressure to respond. Japanese officials argue, with considerable justification, that the sale is inconsistent with the U.S. goal of reducing the proliferation of weapons in the region. The weapons transfer also jeopardizes Japanese efforts to discourage China from exporting arms, a policy Tokyo adopted partially at the behest of the United States.

Weapons sales have ramifications throughout the region. Jusuf Wanandi, chairman of the Center for Strategic and International Studies in Jakarta, Indonesia, argues, "We are worried that the sale of so many F-16s to Taiwan might start a flurry of arms acquisitions, first in northeast Asia, and then, as a reaction, in Southeast Asia." [21] Such a development, triggered at least partly by U.S. actions, would certainly not be in America's best interest. Washington should be very careful in making decisions that might intensify proliferation trends in the region. Any arms sales should be based purely on national security calculations, not domestic political or economic ones. The politicization of the arms export business can also damage U.S. efforts to halt worldwide weapons proliferation. Washington is

especially concerned with ensuring that the republics of the former Soviet Union refrain from selling remnants of Soviet military hardware to earn desperately needed hard currency. U.S. arms exports, based on domestic economic considerations, render that effort much more difficult. For example, Russia recently decided to sell attack submarines to Iran, a move the United States vigorously opposed. Secretary of State Lawrence S. Eagleburger approached Russian foreign minister Andrei Kozyrev in an effort to halt the sale, but Kozyrev responded that his country needed the money for reform and pointed to the Bush administration's decision to sell F-15 fighters to Saudi Arabia.[22] Of course, there is no way of knowing if the U.S. action really influenced the Russians. It is entirely possible that, given their need for hard currency, they would have sold the subs under any circumstances. However, there is no doubt that the credibility of the United States on proliferation issues has been damaged.

## **Conclusion**

The primary responsibility of the federal government is the protection of the sovereignty and territorial integrity of the United States and the liberty of the American people. Given the obvious importance of that role, the American people have every right to expect that the military budget will be handled responsibly. Decisions about the defense of the nation should not be based on political expediency; they should be made on the basis of national security considerations. The politicization of defense results in unnecessary and irresponsible government spending, which stifles economic growth, inhibits military preparedness, and may seriously jeopardize important foreign policy goals.

Furthermore, the militarization of American society must be discouraged. Other institutions are better equipped to meet the challenges of education, housing, poverty, and other problems. The military should be charged with defending the United States, not pursuing utopian goals. In the post-Cold War era, defense spending can and should be reduced. Those reductions should be made prudently, not held captive to the interests of politicians, their constituents, or lobbyists. Responsible cuts would help the economy by reallocating resources to more productive uses and ensuring that the military remained prepared to fulfill its primary mission, defending the United States.

## **Notes**

[1] John McCain, Congressional Record, October 5, 1992, p. S16692.

[2] U.S. House of Representatives, National Defense Authorization Act for Fiscal Year 1993, Conference Report 102-966 (Washington: U.S. Government Printing Office, 1992), pp. 207-8.

[3] *Ibid.*, p. 208.

[4] Clifford Krauss, "In Battle of Budget, Democrats Defend Military Hardware," *New York Times*, March 17, 1992.

[5] Jackie Calmes, "Guns for Butter; Ardor to Trim Defense Hits Political Obstacle: The Fear of Job Losses," *New York Times*, May 7, 1992, p. A1.

[6] John Lancaster, "Senators Take Care of Own in Pentagon's Budget Bill," *Washington Post*, September 23, 1992, p. A1.

[7] *Ibid.*

[8] Eric Pianin, "Appropriations Panel Votes to Cut 10,000 Naval Jobs," *Washington Post*, June 30, 1993, p. A5.

[9] Jackson Diehl and David Von Drehle, "Bush Approves Sale of F-15s to Saudis," *Washington Post*, September 12, 1992, p. A1.

[10] David Evans, "When It Comes to Doling Out Pork, Clinton's a Top Gun," *Chicago Tribune*, October 30, 1992, p. 23.

[11] "Remarks of Governor Bill Clinton," Los Angeles World Affairs Council, August 13, 1992.

[12] See, for example, James D. Gwartney and Richard E. Wagner, "Public Choice and the Conduct of Representative Government," in *Public Choice and Constitutional Economics*, ed. James D. Gwartney and Richard E. Wagner (Greenwich, Conn.: JAI Press, 1988), pp. 14-17

[13] Franklin C. Spinney, "Defense Power Games," *Fund for Constitutional Government*, Washington, December 1990.

[14] *Ibid.*, p. 16.

[15] Hugh G. Mosley, *The Arms Race: Economic and Social Consequences* (Lexington, Mass.: D. C. Heath, 1985), p. 18.

[16] Lloyd J. Dumas, *The Overburdened Economy: Uncovering the Causes of Chronic Unemployment, Inflation and National Decline* (Berkeley: University of California Press, 1986), p. 208.

[17] William A. Niskanen, "Fiscal Effects on U.S. Economic Growth," Paper presented at the Milken Institute for Job and Capital Formation, Conference on Economic Policy, Financial Markets, and Economic Growth, Santa Monica, California, October 22-23, 1992.

[18] Quoted in David Evans, "How the 'Pentagon Tax' Is Bleeding America's Cities," *Chicago Tribune*, May 8, 1992, p. 17.

[19] McCain, p. S16694.

[20] Shortly after concluding the agreement with the Saudis, the White House agreed to give Israel \$650 million worth of helicopters and missiles and store \$200 million worth of ammunition in Israel for possible use by either country. Acting Secretary of State Lawrence S. Eagleburger also pledged to maintain U.S. military assistance to Israel at its current \$1.8 billion level. See, for example, Jackson Diehl, "Strategic Plans Giving Way to Mideast Arms Flow," *Washington Post*, October 4, 1992, p. A24.

[21] Quoted in Leslie Helm, "Japan Irked by Taiwan Deal," *Philadelphia Inquirer*, September 5, 1992, p. 3.

[22] Barton Gellman, "U.S. Sought Saudi Aid on Iran Subs," *Washington Post*, October 30, 1992, p. A29.