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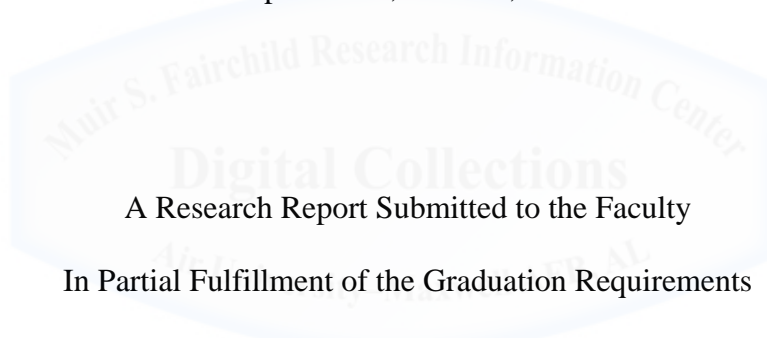
AIR COMMAND AND STAFF COLLEGE

AIR UNIVERSITY

THE DOD BUDGET: NO MONEY, MORE PROBLEMS

By

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## ABSTRACT

National security is one of the utmost concerns of any nation; an adequate defense ultimately helps with stability and prosperity. The United States has and continues to view this as a high priority; and as such, it has consistently highlighted its importance by allocating funding towards this effort. Unfortunately, as time has progressed, other areas of the federal budget have begun to threaten the U.S.'s ability to adequately fund the national defense. This paper will use the problem/solution framework to analyze how a declining DOD budget potentially jeopardizes national security. Mandatory spending programs, the national debt and its associated interest payments, and Congressional conflicts of interest are all factors that must be reviewed to understand the synergistic ramifications of this threat. Additionally, the DOD must also conduct an internal assessment of the current funding profile to determine if the highest priority requirements are being funded to meet the long-term, strategic initiatives of the nation. Ultimately, changes to the current funding process, legislation, and assumed benefits/entitlements will be required to secure the U.S.'s role as a leader in the international realm in the future.

## INTRODUCTION

*“Money is the root of all evil, and yet it is such a useful root that we cannot get on without it any more than we can without potatoes.”*

*--Louisa May Alcott, **Little Men**, chapter 14*

The United States has various tools at its disposal to project power in the international arena. In a world that is becoming more interconnected, due to a robust cyber realm, and as the expression of differing opinions grows increasingly more violent, effective instruments of power (IOPs) are vital to the survival of a nation. These IOPs work best when used in combination with one another; they ensure all diplomatic, informational, military, and economic efforts are working together to attain a desired outcome. Additionally, each of these tools provides necessary options to leadership that must be considered. For some of these IOPs, funding becomes a critical factor in determining if it is able to perform its intended function. Consequently, a diminishing Department of Defense (DOD) budget negatively impacts how it is ultimately prepared to secure our nation against aggression, now and into the future. Personnel, equipment, advanced technology, and innovation all come with a price; and other governmental factors such as restrictive legislation and uncontrollable national debt decrease the availability and use of funds for discretionary activities. While some may argue that the DOD budget is due for a decrease as the nation is not currently engaged in a major war with a near-peer adversary and that some efficiencies need to be forced upon the Services, there are some key considerations that are being overlooked. While efficiencies are ideal in a constrained environment, restrictive legislation hampers the ability of military leaders to make the necessary strategic movements. Additionally, polarized political representatives that struggle with competing national/local interests have and will potentially continue to burden the DOD with an unfair portion of the

required governmental budgetary cuts. These factors highlight an unsustainable trend if the United States wants to maintain its military standing in the international arena.

In order to highlight the devastating effects that the federal budget can have on national security, an understanding of several of the factors that have the greatest impact on its construct is critical. A problem/solution framework will be used to provide potential realistic answers to this issue that is not only prevalent today, but will continue to be exacerbated as time progresses. There are several contributing factors that must be identified to highlight the severity and magnitude of the situation. Expounding on the individual factors will provide the necessary background and analysis needed for a thorough situational awareness, and it will also lay the foundation for the suggested alternatives. The final outcome will provide senior leaders an understanding of why this has the potential of crippling the nation's military strength as well as recommend potential courses of action to mitigate this risk. A quantitative approach will be used to develop the causal/correlational relationship that exists between the variables being researched. Understanding those connections and how they influence one another will provide senior leaders valuable information as they progress further into this process. The empirical data presented should validate the instituted framework.

## **BACKGROUND**

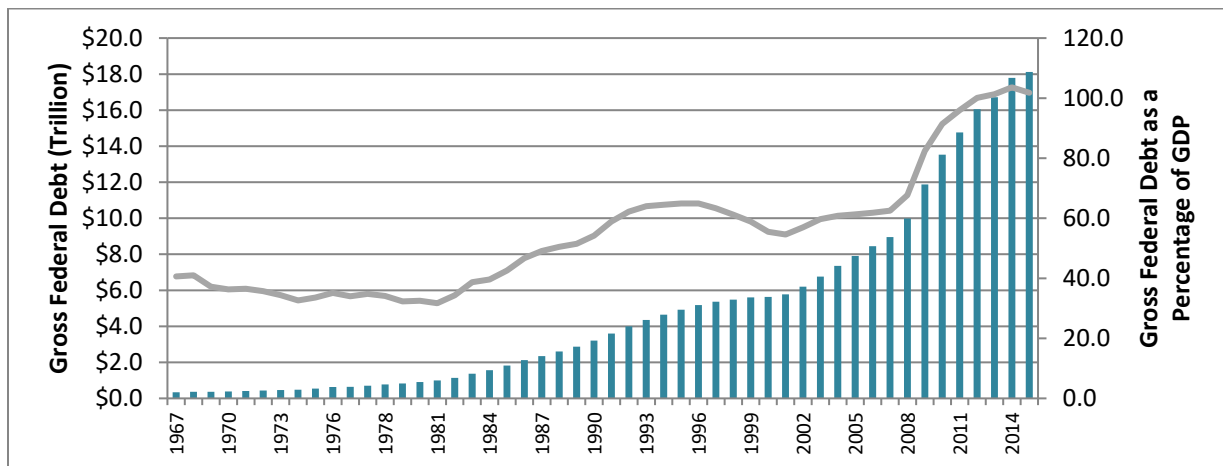
### **Fiscal Reality**

*"I've said many times that I believe the single, biggest threat to our national security is our debt."*

*--ADM Mike Mullen (former Chairman of the Joint Chiefs of Staff)*

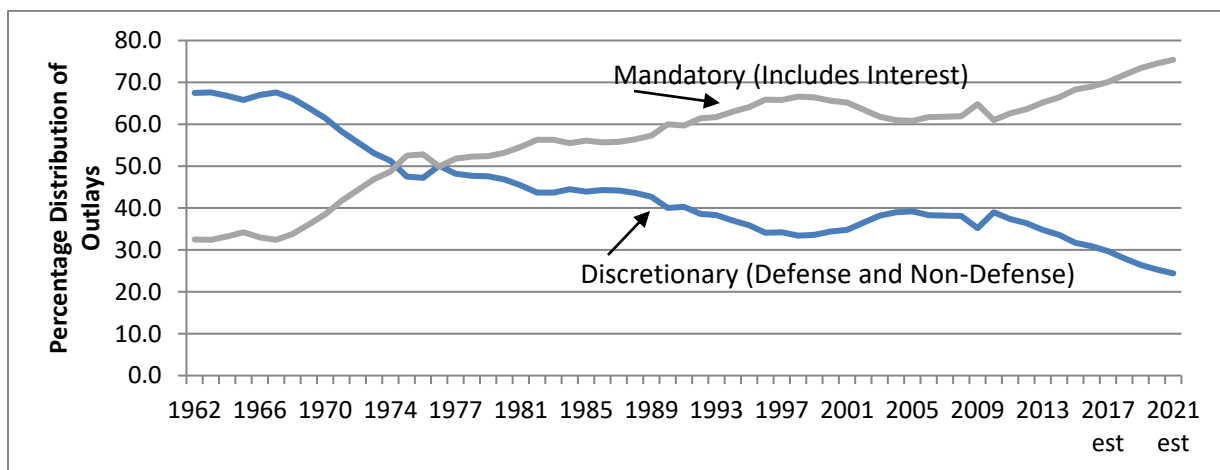
The United States has found itself in a very precarious situation, and it has been trying to figure out how to get out of it for some time. Currently, the national debt is in excess of \$19.8T<sup>1</sup>,

and this figure is continuing to grow every second. Unfortunately, most people are not able to comprehend what a number that large actually means in real terms or what effects this has on a country in the long term. As a general rule, some debt is actually necessary as it helps to promote growth, but these benefits go away once an entity accumulates too much debt. The rationale behind this is that borrowers must pay a lender an amount in excess of the actual figure; this incentivizes the lender to participate in the process. Consequently, as debt continues to grow, these additive payments continue to increase and reduce the flexibility of the remaining dollars. This process eventually becomes a death spiral, as more and more funds have to be borrowed to pay off the incentive payments on the debt already accrued. In the end, there are devastating consequences across all areas that fight for these available dollars. Some areas will inevitably suffer more than others. Figure 1 highlights just how rapidly debt can accumulate and get out of control. For nearly forty years (1967-2007), debt averaged just under fifty percent of the U.S.'s Gross Domestic Product (GDP); that figure quickly jumped to over one hundred percent in just under five years (2007-2012). Consequently, the associated interest payments on this debt has become an ever-increasing threat to national security in its own right. Further analysis on this topic will be discussed later in the paper.



**Figure 1. U.S. National Debt<sup>2</sup>**

The U.S. government's budget is extremely complex; but for simplicity, it can be broken down into two main categories. Mandatory spending incorporates entitlement programs (i.e. Social Security, Medicare, Medicaid), and discretionary spending focuses on those programs where Congress must pass annual appropriations for them to have funding (i.e. Defense, Education, etc). Interest on debt truly falls into the mandatory category, but it was broken out separately in order to discuss its criticality. As previously stated, interest is determined by how much debt has been accumulated; and this is an area where policymakers continue to struggle for balance. As for mandatory and discretionary spending, the discretionary programs are really the only ones that can easily be manipulated to accommodate whatever budget crisis has to be met. Unfortunately, mandatory spending is the area that has and will continue to be out of control until a strong leader decides to take action on these programs. For perspective, mandatory spending *sans* interest has grown from 26% of outlays in 1966 to 62% in 2015 (or from 4.5% of GDP to 12.9%). Over that same timeframe, discretionary spending has dropped from 67% to 32% (or from 11.5% of GDP to 6.6%).<sup>3</sup> This overall declining budget that Congress has control over has dramatic effects on those programs that are included.



**Figure 2. Mandatory versus Discretionary (Defense) Spending as a Percentage of Outlays<sup>4</sup>**

## **Political Dilemmas**

*“The central fact about the defense budget is that it is a political problem.”*

*--Warner R. Schilling, Strategy, Politics, and Defense Budgets, 1962*

Not only does the construct of the entire budget have a pivotal role in the overall availability of funds to be allocated, but the Congressional role is just as crucial. Article 1, section 9, clause 7 of the U.S. Constitution states that “no money shall be drawn from the Treasury but in Consequence of Appropriations made by Law.”<sup>5</sup> This Power of the Purse levies a heavy responsibility on Congressional representatives; they are ultimately responsible for balancing the needs of the nation. Consequently, they must make trade-offs between national security and many other worthwhile initiatives. Unfortunately, these representatives can find themselves struggling with conflicting interests; even though the focus should be on the national agenda, they have a duty to the local constituents that they represent. These two agendas may be in direct competition with one another, and this is where a focus on the overall well-being of the nation should take precedence. Regrettably, this statesman-type attitude seems to be curtailed by results-driven election cycles. When decisions are made based upon local benefits only, the final product will generally suffer. This skewed accountability can also hamper the needed flexibility to live within some of the imposed restraints. Ultimately, Congressional representatives have the ability to place emphasis on whatever agenda they deem appropriate; the disappointing aspect of this is how shortsighted the election process makes them. Grand strategy and what is deemed the best course of action to secure our national interests often takes a backseat to favored constituents.

## **DOD Takeaway**

The DOD budget suffers the most from all of these discussed variables. As interest payments and mandatory programs continue to grow with little, if any, regard to the fiscal

consequences, the discretionary budget becomes a potential target. Defense spending accounts for the majority of discretionary funds, but its prominence has declined from 66% of discretionary outlays in 1966 to 50% in 2015 (or from 7.5% of GDP to 3.3%).<sup>6</sup> As reductions are levied in an attempt to control debt, discretionary spending (and primarily the DOD budget) becomes the primary bill payer. Additionally, as Congressional representatives enact potentially constricting legislation, the flexibility of military leaders to balance the cuts against potential readiness is reduced. Therein again lies a conflict of interest; military leadership is attempting to efficiently use those available dollars to make sure the assigned mission can be accomplished whereas political leaders could have a differing opinion. That being said, the Congressional opinion is what will dictate funding in the end; the military analysis on national security provides insight and guidance to lawmakers but is not authoritative in nature. Ultimately, factors outside of the DOD's control dictate how much funding will be available to perform the assigned mission; it is up to the DOD to find the most efficient use of those dollars within the imposed constraints. DOD leadership must understand these relationships to consistently advocate for the necessary funding in Congressional hearings. Accountability at all levels must be addressed, and a well-articulated argument must be made to the general population as well. What must be avoided is a "hollow" force; a defense agency in name only that cannot perform any of its intended purposes. Continued reductions in funding and imposed restrictions on how reductions can be taken will be the catalyst for creating such a force.

### **THREAT ANALYSIS OF CONTRIBUTING FACTORS**

Merely identifying the factors that affect the DOD's budget is not adequate; truly understanding how each can impact it individually as well as in unison is one of the main objectives of this paper. National security is of vital importance; and interest payments,

mandatory programs, and politics all have the potential to degrade overall operational effectiveness of our forces. In combination, not only would current operations suffer, but future readiness would also be in jeopardy. Investing in future capabilities is a continuous effort, and this is not an area that can easily be ramped up during a crisis. Benjamin Franklin emphasized this point with one of his most noteworthy quotes, “by failing to prepare, you are preparing to fail.” While there is a balance that must be struck as to how much funding is enough and what the available dollars should be spent on, these variables curtail the discussion before it can even be had.

### **National Debt**

National debt is an area of growing concern; deficit spending just perpetuates the issue. As the United States continues to accumulate debt, the associated interest payments continue to rise and carve out a larger percentage of the overall federal budget. According to the Congressional Budget Office (CBO), interest payments will increase over the upcoming decade from 1.4% of GDP in 2016 to 3.0% in 2026<sup>7</sup>. Over this same timeframe, defense spending is projected to drop from 3.2% to 2.6%.<sup>8</sup> These figures highlight a harsh reality; in short order, the amount of money spent to compensate other entities for allowing the United States to borrow funds from them will exceed the entire budget set aside for the national defense. Additionally, Figure 3 further emphasizes this potential debilitating problem; out-year projections indicate that the United States will eventually begin to borrow in excess of the total DOD budget every year. While an in-depth analysis of other variables such as the potential for rising interest rates or adjustments to the U.S. credit rating due to a debt imbalance (which could also drive up the cost of borrowing) is outside the purview of this analysis, the end result is worth noting as these circumstances would only exacerbate the issue. Ultimately, every dollar spent in support of this

effort further reduces the overall federal budget, specifically those areas that are not entitlements.

A continually constrained DOD budget forces tough decisions to be made as to what missions can be supported and where calculated risks must be taken.

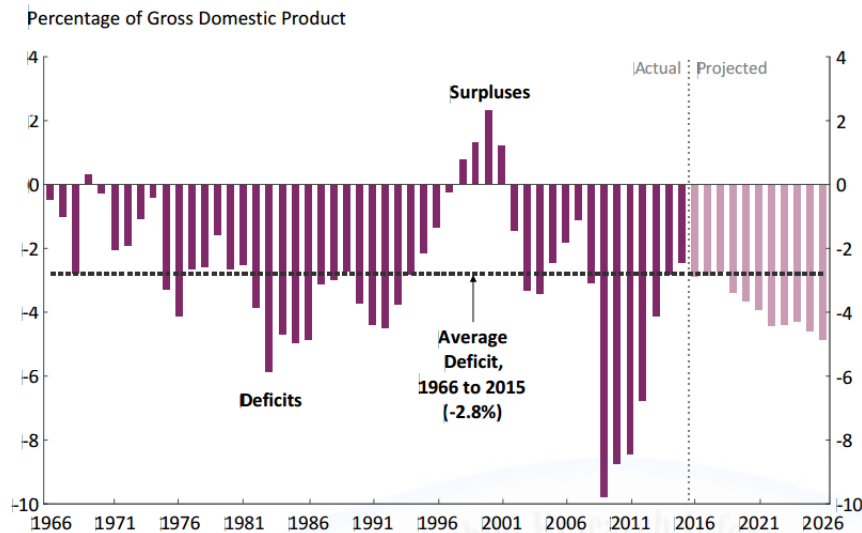


Figure 3. Total Deficits or Surpluses<sup>9</sup>

### Mandatory Spending

Mandatory spending is another area that has slowly etched a deep chasm in the federal budget, and it will only continue to get worse until reform is levied on these benefit/entitlement programs. Over the coming decade, CBO projects that Social Security and Major Health Care Programs will account for sixty percent of the total increase in outlays.<sup>10</sup> Unfortunately, as the name so clearly articulates, these are required expenditures that will further hamper the government's ability to fund discretionary items. As the DOD makes up the majority of the discretionary spending, it becomes a *de facto* funding source. For comparison purposes, mandatory spending (to include interest) is projected to grow by a larger percentage of GDP (3.3%) over the next decade than the actual percentage of the Defense budget (3.2% in 2016 or 2.6% in 2026). Until the growth of these programs is brought under control, they will simply

continue to engulf a disproportionate amount of available revenues. Any efficiencies ultimately implemented in the other areas of the budget or even bottom-line cuts will seem insignificant given the growing magnitude of this arena. The interesting aspect regarding mandatory spending is that the majority of individuals (general population and Congressional representatives alike) understand that this represents a major problem, but there is a general reluctance to discuss solutions. Reform will be difficult as it will inevitably involve some reduction to promised benefits, but the uncomfortable conversations now are a much better alternative than the slow degradation to national security that will ultimately result from declining DOD budgets.

### **Political Role**

*“The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money.”*

*--Alexis de Tocqueville*

The political arena is an integral component to the conversation as it has the potential to influence all of the other discussed factors. As previously stated, the Power of the Purse is what truly provides Congress its control. It can withhold funding from efforts that are viewed less important, it can put stipulations on what the funds can or cannot be used for, or it can provide additional dollars to those endeavors that it deems worthwhile. This body has the ability to both positively and negatively impact the various programs that seek federal funding.

The DOD is not immune to these influences; conversely, it actually seems to experience both extremes of these impacts when it comes to funding. The DOD attempts to use the provided dollars to procure resources and capabilities that fall within their ultimate strategic vision for the security of the nation; Congressional representatives often view the budgeting cycle as an opportunity to promote national security as well as potentially stimulate a district's economy. Unfortunately, these economic benefits can be a tempting distraction from the

primary goal as an influx of dollars into a representative's local economy can garner additional votes in the next election. These local interests can be enticing to a politician seeking to retain their seat, and this has the potential to promote local interests (i.e. jobs, stability, etc) for the sake of national security. History provides several examples of "Congress willing to erode future capabilities for current jobs under the auspice of national defense."<sup>11</sup> The M1 Abrams tank, C-17 aircraft, and LPD-17 amphibious landing ship are just some of the relatively recent programs where Congress forced dollars to be spent in support of these efforts despite the opposing guidance being provided by DOD leadership. Since the DOD's budget does not generally receive large plus-ups during peacetime operations, these mandated expenditures reduced the overall flexibility to meet the strategic goals for the Services. These examples not only show how the term national security can become skewed, but they also highlight the ramifications of restrictive legislation. The constraints laid in to appropriations reduce the ability of the Services to implement efficiencies or long-range, strategic planning efforts effectively.

Another tactic used by members of Congress that can further constrain budgets and erode national security is the integration of earmarks into legislation.

"Earmarks are funds provided by the Congress for projects, programs, or grants where the purported congressional direction (whether in statutory text, report language, or other communication) circumvents otherwise applicable merit-based or competitive allocation processes, or specifies the location or recipient, or otherwise curtails the ability of the executive branch to manage its statutory and constitutional responsibilities pertaining to the funds allocation process."<sup>12</sup>

Basically, earmarks are miscellaneous funded efforts that get attached to high-profile, critical legislation; they often only benefit a select constituency and could not withstand the scrutiny of being a stand-alone bill. Congressional representatives have used this as a mechanism to garner favor and promote local interests; fortunately, this was a recognized problem. In 2007, this process was reformed and transparency rules were implemented. The underlying hope was that

increased visibility on who was inputting these earmarks into the legislation would reduce the overall dollar value; transparency increased but wasteful spending continued. In 2011, an earmark moratorium was instituted to curtail this enduring problem; unfortunately, the moratorium “has rendered the process patently less transparent. There are no names of legislators, no list or chart of earmarks, and limited information on where and how the money will be spent. Earmarks [are] scattered throughout the legislative and report language, requiring substantial detective work to unearth each project.”<sup>13</sup> They are still being used; legislators just found a less visible but still legal way to integrate these into the budget. Interestingly, earmarks are constantly condemned by the President, members of Congress, and the general population as they divert precious funding away from critical capabilities and are selfish in nature, yet these additions continue to plague the legislative process regardless of public opinion or actions taken to deter them.

Finally, Congress has the daunting task of collaboratively working extremely complex issues that do not have a clear way forward. Potential reform of mandatory programs, determining appropriate funding levels of discretionary programs, and the methods to pay for all of these designated efforts require a willingness to work with other individuals that may have drastically different opinions on *how* to achieve what is best for the nation. To be truly effective, this environment mandates cooperation and a focus on *what* is best for the nation as a whole; selfish actions only hamper the entire process. A significant barrier that tends to impede progress is how polarized the political parties have gotten. Granted, these conflicting convictions can actually prolong what needs to be accomplished, but they cannot allow communication and advancement to be completely upended. Continuous efforts should be made to emphasize the effect that decisions have on the nation’s way ahead, not on how any one constituency will

benefit. Localizing strategic initiatives wastes limited resources, unduly burdens those affected programs, and perpetuates mistrust amongst the parties. In this fashion, it is vitally important for politicians to act more like statesmen; focusing on the greater good will ultimately elevate all.

### **Synergistic Effect**

At its core, synergy is a force multiplier. This concept is generally associated with positive attributes as well as something that is hoped to be achieved, but there are times when negative results compound and elicit the same result. The old adage holds true; when it rains, it pours. Each of the contributing factors previously discussed had their own negative impacts on the DOD budget and ultimately how effective this entity could secure the national defense, but the resulting consequences of combining these factors would have drastic implications on the degradation of national security.

Since Congress has the Power of the Purse, it all begins there. Restrictive Congressional language reduces the DOD's flexibility to operate within their allotted budget and potentially alters the strategic initiatives that the Services were planning to implement. Earmarks further reduce the overall availability of federal funding that can be distributed for more worthwhile endeavors; again either reducing flexibility or the bottom-line figure that the DOD has to operate. Next, the increased polarization of Congressional representatives renders this body incapable of negotiating the necessary reforms to rein in the exponentially increasing outlays of mandatory programs. As compromise becomes more difficult but bills still must be paid, operating in a deficit becomes more common. Debt compounds quickly, and interest payments on the debt grow just as fast. All of these variables contribute to Congress's inability to fund discretionary efforts at appropriate levels. Each of these issues flows into the other for an attempt at a course correction, but they eventually collapse onto one another. Discretionary

funding (primarily the DOD) gets continually reduced in an effort to help balance the equation; this simply results in a force with limited capabilities and resources. The combined effects of these factors would ultimately promote a hollow force structure if allowed to continue unaltered. Unexpected challenges exacerbate this entire process; the reduced flexibility that results from growing must-pay bills doesn't allow for adequate responses to be timely or effective.

### **Budget Control Act of 2011 and Sequestration**

The Budget Control Act of 2011 (BCA) was the culmination of a frustrated legislative body that realized federal spending had gotten out of hand and actions needed to be taken in an attempt to control it. In that year, “the [federal] deficit was projected to peak at a record level of \$1.5 trillion.”<sup>14</sup> This spurred legislation to increase the U.S. government’s debt limit or “the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations.”<sup>15</sup> An important aspect to this discussion is that the controlling interest of the House of Representatives had just transitioned from one political party to the other. There was a distinct division between the two parties on how the debt limit increase should be handled. One party simply wanted the increase to be approved to avoid any potential catastrophic consequences and viewed politicizing this issue as an unwarranted risk; the other party viewed a continually growing debt and associated interest payments as a consequence and wanted to discuss long-term alternatives to ultimately decrease the national debt. Their way ahead to compensate for this increase included dollar for dollar cuts to spending. The compromise to avert a potential financial crisis and attempt to fix this growing problem was the BCA.

The BCA became public law on August 2, 2011; and its goal was to reduce the overall deficit by nearly \$2.3 trillion over the next ten years. There were two main vehicles instituted to achieve this reduction. The first was a cap on discretionary spending; the CBO estimated that

this portion would account for just over \$900 billion of the projected total. “Savings in discretionary spending would amount to \$741 billion, mandatory spending would be reduced by \$20 billion, and the savings in interest on the public debt because of the lower deficits would come to \$156 billion.”<sup>16</sup> Even though the discretionary spending cut was spread between security and non-security efforts, the DOD was levied with a substantial portion of this reduction. The next vehicle relied heavily upon collaboration between the two political parties as the legislation created a Joint Select Committee on Deficit Reduction (“Super Committee”), and this entity was charged with finding an additional \$1.2 trillion in deficit reductions over the next ten years or automatic, arbitrary cuts would be instituted.

“The whole design of these arbitrary cuts was to make them so unattractive and unappealing that Democrats and Republicans would actually get together and find a good compromise of sensible cuts as well as closing tax loopholes and so forth. And so this was all designed to say we can't do these bad cuts; let's do something smarter. That was the whole point of this so-called sequestration.” --President Barack Obama

If this committee was unable to reach a compromise, half of the automatic cuts would affect security spending (due to other nuances, this would only be applied to the DOD) while the remainder was levied against the rest of the budget (mandatory programs included).

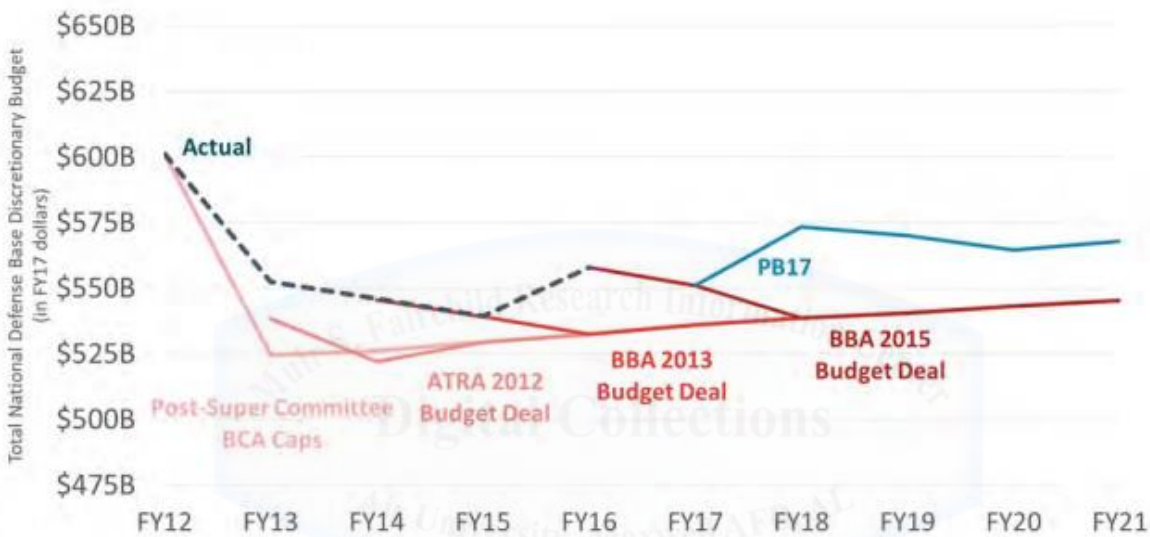
Unfortunately, the “Super Committee” failed to reach an agreement, and sequestration took effect. The polarized political views hampered negotiations and wound up threatening national security in the process. Ultimately, the DOD was being forced to find nearly one trillion in cost reductions over the next decade as a result of the BCA.

While this reduction was substantial, there were two exemptions written into the BCA's language that Congress thought would help alleviate some potential issues. The first exemption was and continues to be a benefit to the DOD, but it further highlights the willingness of Congressional representatives to circumvent established policies. Dollars appropriated for war-related funding, otherwise known as Overseas Contingency Operations (OCO) funding,

automatically increase the cap on discretionary spending by the associated amount. While this allows the DOD to directly support the warfighters; this funding is only limited by the amount that Congress is willing to appropriate. Additionally, “this law does not ... provide a robust definition of what constitutes OCO funding. In practice, this means that OCO funding is whatever Congress enacts and the president signs into law – a loophole both Congress and the DOD have used to get around budget caps since 2013.”<sup>17</sup> More interestingly, this loophole has also been used to add dollars to non-defense related accounts as a lack of a firm definition has allowed for such flexibility. This just shows that even in legislation where the sole purpose is to reduce the deficit, Congressional leaders afforded themselves an opportunity to directly bypass its intent. Again, the DOD benefits greatly from these actions, but the concerning aspect is the lack of discipline in the legislative body. The other exception to be discussed actually shields one of the DOD’s accounts from being reduced; but it, in turn, creates an added hardship that must be borne by the other areas. Sequestration provided an opportunity for the President to exempt the military personnel (MILPERS) account from the automatic cuts. Whereas the OCO exemption increased the overall discretionary cap, the MILPERS exception simply increased the burden to all of the other DOD accounts as approximately 26% of its budget would now be off-limits.<sup>18</sup> Fencing off the MILPERS account is another example of restrictive legislation that reduces the DOD's flexibility in adjusting to imposed limitations and further degrades its ability to secure the national defense.

Fortunately, Congress realized that the imposed budget caps on the DOD would create unnecessary and unwarranted hardships to the entity tasked with defending the nation. As a result of the OCO exception and several other budget deals that have been made since the BCA’s inception, the DOD has not had to fully endure the originally projected cuts (see Figure 4).

While this might seem like good news for the DOD, the reality is that these stop-gap measures are merely a delaying tactic. A slowly dissipating bottom-line combined with restrictive legislation and a short-term funding stream that is not included in the baseline (OCO) will ultimately contribute to the materialization of a hollow force. Finally, these budget deals that are continuously postponing/unraveling the original intent of the BCA/sequestration are only increasing the federal deficit and consequently, interest payments.



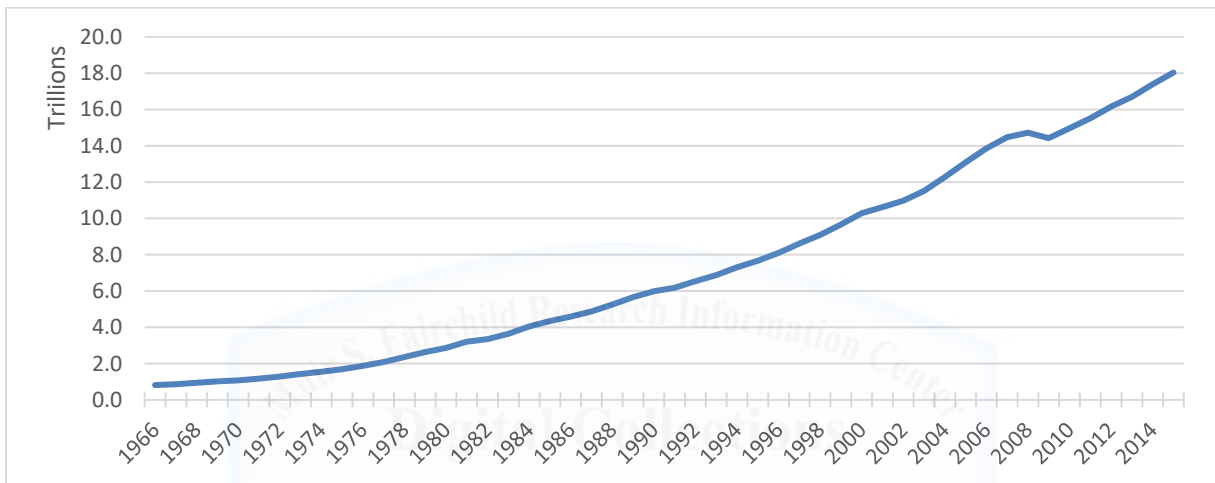
**Figure 4. Base Discretionary National Defense Budget Request Compared to BCA Budget Caps as Amended<sup>19</sup>**

## ACKNOWLEDGEMENT OF COUNTER ARGUMENTS

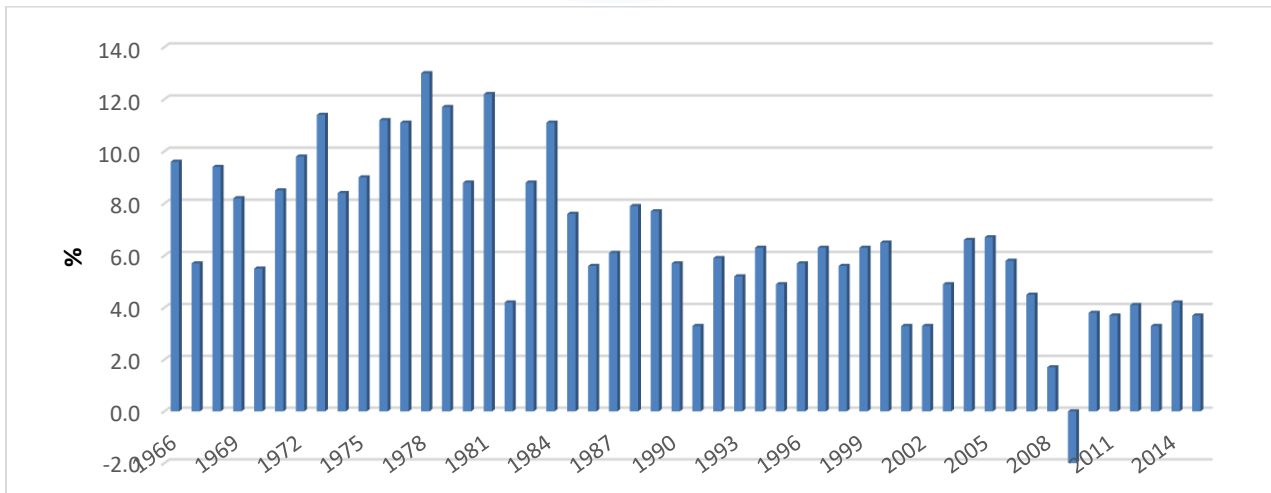
### Shortfall in Using GDP as a Basis of Comparison

Thus far in this paper, GDP has been used as a normalizing tool to simplify the comparative analysis being presented. Generally, a stagnant factor is sought when conducting such a comparison to have a common base amongst the variables. While GDP does provide the necessary commonality, it has a distinct characteristic that must be realized. GDP is a “reference point for the health of national and global economies”<sup>20</sup>; and as such, it will fluctuate from year

to year. As Figures 5 and 6 clearly illustrate, GDP has been continually growing over the last forty years by varying rates. Of note, the positive growth of this factor would actually cause a stagnant budget to appear to be declining when viewed as a percentage of the total. For added clarity, a growing budget that falls short of matching the GDP percentage increase also appears to be declining in prominence when viewed in isolation. These results often form the basis of why the percentage of GDP does not alone warrant an increase to the DOD budget.



**Figure 5. GDP Increase in Current Year Dollars<sup>21</sup>**



**Figure 6. Percentage Change in GDP<sup>22</sup>**

The argument against using GDP actually provides further justification of the issue being discussed. Once the interplay between actual GDP growth and the effect that this has on the derived percentage of other variables is understood, the problem areas seem to grow exponentially. As previously illustrated, mandatory spending and interest payments are projected to grow at an alarming rate over the next decade. Given the fact that GDP will most likely continue to increase over that same timeframe, the actual growth of these accounts will far outpace the anticipated differential in the percentage of GDP from one year to the next. Perspective is a critical component in understanding just how severe of an issue this truly is and will continue to become.

### **Too Much Money is Spent in Support of Defense**

*“We seek to shape the world, not merely be shaped by it; to influence events for the better instead of being at their mercy.”*

*-- President George W. Bush, 2006 National Security Strategy*

The underlying question in this debate is how much is enough. How much must a nation spend to ensure its safety against adversaries, and what role does it want to secure on the international stage. Simply looking at raw figures leads many individuals to the conclusion that the United States allocates an exorbitant amount of its budget towards this endeavor. For perspective, the United States nearly spent three times as much as its closest near-peer competitor (China) on defense in 2015, and its total equates to the sum of what the next eight highest nations spent on this same effort.<sup>23</sup> At first glance, this seems to be an area that could afford a reduction given these facts.

Another argument that spurs from this same premise is that the DOD is due a reduction given that it is not engaged in a “major” conflict any longer. This is oftentimes referred to as a “peace dividend.” It is based upon the fact that conflicts are more costly endeavors; and once

they have ended, there should be a “cost savings” associated with the return to normalcy. Deployments should have dissipated, shipments of equipment are no longer required, hazard pay has been removed, and costly munitions and fuel are no longer being used at the higher levels (just to name a few). As history has shown, the DOD budget has experienced a “peace dividend” after every major conflict since World War II.<sup>24</sup> Technically, an argument could be made that this reduction should have been implemented after the redeployment of troops back to the United States from Iraq and Afghanistan.

Both arguments have merit, but a broader perspective of the circumstances surrounding them highlights why their claims are not fully justified. The U.S. military has an unmatched ability to project power over large distances, and it also serves as the primary enforcement tool when differences in international political agendas require aggressive persuasion. To ensure that the United States maintains a premier fighting force that can defend the nation against those that seek to do it harm, a robust defense program that strives to attain an asymmetrical advantage over its adversaries is a necessity. Research and development of ground-breaking technologies is not without cost, and neither is ensuring that its force receives the required training to maintain proficiency. The DOD’s ultimate goal is to make every confrontation an unfair fight; it wants to have the ability to control as many elements as possible. To be able to influence such events in this way requires a priority to be placed on such an effort; for the United States, security has historically held a prominent position. As such, funds have been allocated towards securing these advancements to not only safeguard the nation, but also the troops that volunteer to defend it.

The world is much more complex and convoluted than it has been in the past. The “peace dividend” assumes that the adversary is a traditional state actor, and there will be a return

to normalcy once defeated. The United States is currently engaged with a non-state actor whose motivation is ideological; this is not trivial. Adequate resources are required to engage such an enemy, and a potential “peace dividend” resulting from the confrontations with Iraq and Afghanistan would dramatically decrease the capabilities of U.S. troops to influence the outcome.

While the two presented counter-arguments can be defended against, there is still a case to be made that the DOD’s budget could be reduced. A significant caveat to this statement is that Congress would be required to remove all restrictive legislation and earmarks that only serve as hindrances to meet military strategic objectives. When instituted, these policies do not allow efficiencies to be gained that would help this institution live within a constrained budget environment. The DOD needs to have the flexibility to adjust internally to meet the national objectives laid out for them; this strategic outlook would provide the foundation for leadership to cut those programs that no longer adhere to its vision as well as potentially consolidate programs and locations where financial benefits could be gained. Infrastructure costs are a heavy burden and continue to grow as age and the environment take their toll. This is not meant as an advocacy for military independence, this is merely advocating that decisions be made without regard to the effects that they will have on a specific constituency. The DOD makes up a large portion of the discretionary budget; it makes sense that it would have to be part of the solution to help correct deficits.

## MITIGATION STRATEGIES

### Rein in Mandatory Spending

The increase in mandatory spending seems to be the driving force behind the current budget deficits as well as the resulting increase in interest payments from the rising debt to maintain these programs. Over 68% of government outlays in 2015 were associated with these mandatory programs and net interest; this is considerable growth from 33% in 1966 or even 53% in 1980.<sup>25</sup> While Social Security is a major component (38.4%) of these outlays, it has actually been slowly declining in prominence while Medicare and Medicaid have been consistently rising.<sup>26</sup> In 2006, the combination of these two programs actually surpassed Social Security's percentage, and it will most likely not regain that top position again as the other two programs are projected to continue trending upward. These three benefit/entitlement programs totaled roughly \$1.9T in outlays for 2015; completely eclipsing the entire discretionary budget.<sup>27</sup> Of note, even though Social Security will not hold the highest position as far as percentage of mandatory outlays, it is continuing to grow year over year in dollar value and percentage of GDP. All of these facts are presented to illustrate where the largest problem resides and where attention must be given to alter a devastating trend.

Mandatory spending, if left unattended, will have dramatic effects on this nation's ability to defend itself in the future. Ever-increasing expenditures associated with these programs hampers the U.S.'s ability to spend those dollars on more pressing needs without having to borrow the necessary funding. As interest rates begin to rise and other nations start to have reduced confidence in the U.S.'s capacity to cover its debts, this situation becomes dire very quickly. As a result, the United States really only has two options available to help resolve this "death spiral." The first option has to be explored and partially implemented regardless of

whether or not the second option is instituted. Mandatory spending has to be brought under control, and some of these benefit/entitlement programs must be amended to reduce future outlays. Adjustments to Social Security were previously discussed under the Bush Administration, but this is an area generally left unscathed due to the potential repercussions by voters and current recipients. Based on current trends, Medicare and Medicaid are much more in need of revisions given their escalating costs into the future. Regardless of which of these programs is revised, the end result will be the same in that there will be an outcry; but this is something that must be done for the long-term security of the nation. The second alternative is to increase taxes. While this option is not ideal to simply maintain the ever-increasing outlays, a combination of the two options could help alleviate the need for increased borrowing and actually lower the overall debt. The specifics of tax policy and the construct of federal revenues is outside the purview of this discussion, but it is crucial to understand that this is a viable option. Increasing revenues in this fashion should not be viewed in isolation or implemented as the only fix to this complex problem, but it is an area that should be explored in conjunction with these other strategies.

### **Validate Defense Spending**

*“The major limit on the size of the defense budget is not how much the economy can stand, but how much the people can be persuaded to support.”*

*--Warner R. Schilling, Strategy, Politics, and Defense Budgets, 1962*

Although discretionary spending has been declining as a percentage of outlays since 1966, it must not be overlooked as an area for efficiencies to be gained or potential reductions to be levied due to improper justification. The defense budget makes up half or slightly less of the overall discretionary outlays, so even this declining amount is not inconsequential. For comparison purposes, defense outlays equated to 43.9% of federal outlays in 1966; it now hovers

around 15.8%.<sup>28</sup> While this percentage change is interesting, it does not highlight a major cause of concern in this area; it is more of a leading indicator of a potential problem. The more pressing issues are: how are the dollars being spent, how much of a reduction is sustainable, are the requirements being justified, and does leadership have the necessary flexibility to effectively execute the mission. These factors will ultimately determine if discretionary spending, specifically defense spending, is adequate to accomplish its intended purposes.

Based on the information presented thus far, it would be easy to conclude that there should be a minimum funding level for defense either based on outlays or percentage of GDP to help secure a minimum standard for the national defense. Unfortunately, this would be an incorrect approach to the problem, and it is not the position being advocated. This type of arbitrary limitation would provide initial benefits, but the long-term effects of such an action would most likely prove inefficient. Competition for available dollars drives behavior in a positive manner in that the highest priority requirements are generally funded first. In an environment where pure competition doesn't exist due to a floor being established, some items might wind up being funded simply because the dollars are available instead of being based on merit. Requirements should be validated by leadership to ensure they meet the strategic goals attempting to be attained. As mentioned previously, there are other instruments in place to help the United States project power, and dollars must be available for each so that they can successfully accomplish what is being asked of them. Singling one of these instruments out in such a manner would only serve to increase its usage even when the current situation may be better suited for another. Abraham Maslow stated it best, "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail."

While the amount allocated to defense is a critical topic, the deciding factor on how effective the DOD is in accomplishing its mission ultimately relies on what requirements were actually funded. The President periodically publishes a National Security Strategy (NSS) to “outline the major national security concerns of the United States and how the administration plans to deal with them;”<sup>29</sup> the DOD then publishes the National Defense Strategy (NDS) to “identify the capabilities required by the warfighters to support the NSS.”<sup>30</sup> These documents are vital components to strategic funding maneuvers. Ideally, the DOD would have the flexibility necessary to fund those requirements that help achieve the desired goals of the NSS.

Freedom to fund the highest priority efforts absent restrictive legislation or earmarks that unduly constrict the DOD’s ability to accomplish its mission would allow for efficiencies to be gained and potentially highlight funding disparities, both positive and negative. Currently, the DOD understands where it has deficiencies in meeting its stated objectives, but other efforts must be funded with its limited budget to satisfy the language of the laws that have been passed. While there should be checks and balances so that the DOD does not become a rogue entity, they should also be afforded the latitude to determine what requirements best satisfy the Administration’s intent. Flexibility is a critical attribute in the decision-making process, and impartiality would also be instilled in the process by the empowerment of DOD leadership. Decisions, such as base realignments and closures or what equipment is most critical to the warfighter, would have a higher probability of being made based upon military strategy and national security concerns if placed in the hands of those tasked with its execution.

### **Congressional Overhaul**

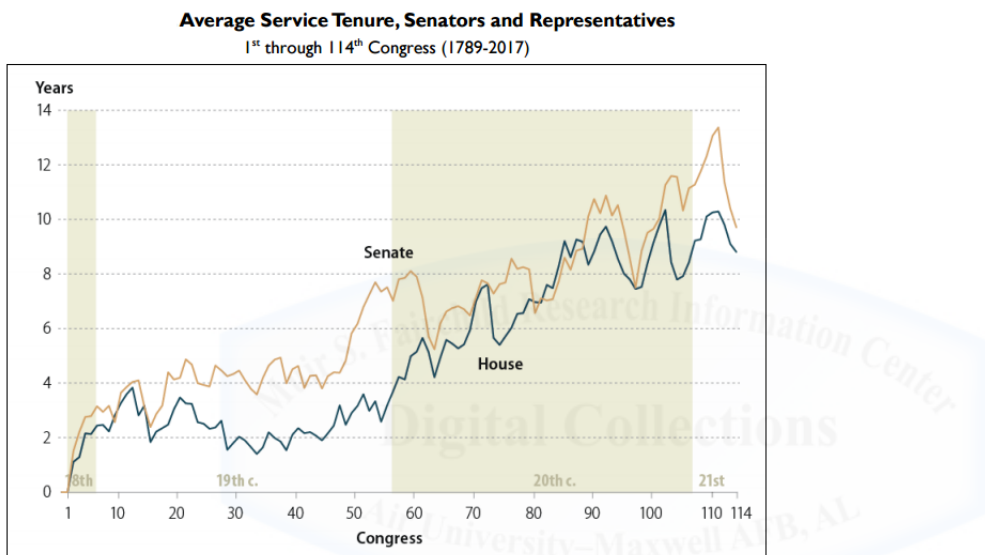
*“No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except for all those other forms that have been tried from time to time.”*

*--Winston Churchill, 11 November 1947*

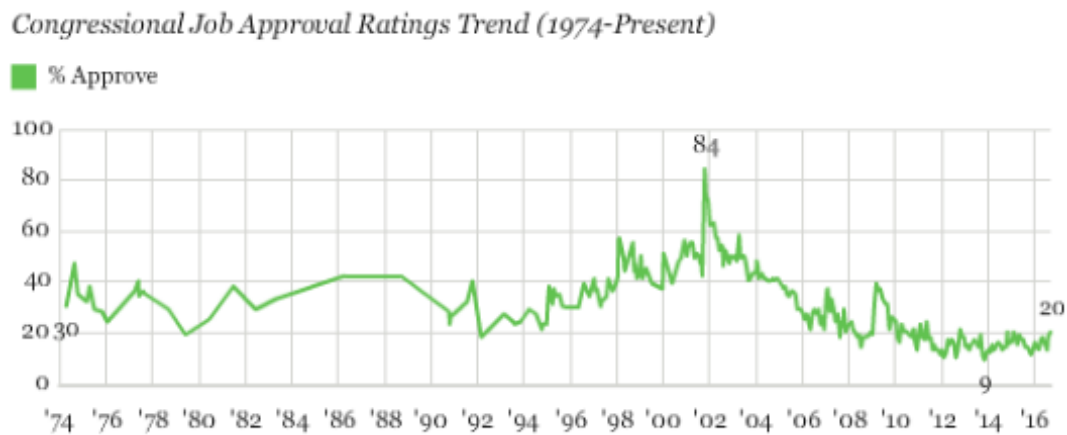
One of the primary purposes of Congress is to ensure that their constituent's interests are adequately represented when decisions on issues are being made at the national level. The ultimate goal is for those decisions to make the nation better and stronger; this requires representatives to have a national perspective first and foremost. When interests become too narrowly defined, decisions have a tendency to not be made for the whole; instead, they lean towards benefiting a select few. National security is an area that benefits all; regardless of whether or not the benefactor's ideals and beliefs are consistent with those that provide that service. This area must be viewed in such a light as to not misalign strategic initiatives for the purpose of an economic stimulus that garners little to no benefits towards the desired end result. When decisions are made based solely upon monetary gains, it is a disservice to the elected position and those that are tasked with executing that mission. Unfortunately, too much attention has been placed on re-election, and the self interests of the representative and constituents forces the decisions being made to focus on the immediate results of benefits brought into their district. This skewed accountability has altered the long-term, strategic goals that should be the primary focus of this body.

The true power of the people comes in the form of elections; they have the opportunity to participate in the process that determines who will champion their cause. Elections can be quite influential if used properly; unfortunately, there seems to be a disconnect between approval ratings on job performance of those representatives and the average service tenure of this body. As Figures 7 and 8 illustrate, the House of Representatives tenure peaked at 10.3 in the early 1990s and was subsequently followed with a steep decrease. One could infer that there was an influx of individuals with little to no tenure during these years, which could also be an indicator of dissatisfaction with representation, but approval ratings during this same period were on a

gradual increase. Additionally, tenure was continuing to grow at the beginning of the 21st century indicating that sitting members were remaining at their post; this would seem to indicate that people expressed some level of satisfaction in how Congress was performing. Alas, from 2002 to 2007 (where tenure peaks again), Congressional approval was on a steep decline. The responsibility falls to the voters to ensure that their elected officials are held accountable for their actions. While there are other variables at play, these instances don't seem to support this claim.



**Figure 7. Average Service Tenure, Senators and Representatives<sup>31</sup>**



**Figure 8. Congressional Job Approval Ratings Trend (1974-Present)<sup>32</sup>**

*“Because power corrupts, society's demands for moral authority and character increase as the importance of the position increases.”*

*--John Adams*

Power is a dangerous commodity; and once it has been experienced, it oftentimes creates a desire for more. The possibility of gaining too much power was and is a driving force for imposing limitations. While the President is only allowed to serve two terms in office, there is no such limitation on those that serve in Congress. There has actually been several individuals to have served nearly fifty years in their elected positions. Although there is a drastic difference between the Presidency and the roles of a Congressman, these individuals can still amass substantial influence in the various committees that they reside over. Additionally, the fact that these individuals could potentially remain in their seats for an unspecified amount of time unwillingly fosters an attitude of outlast versus collaboration with other members of Congress with whom they don't agree. These elected officials were given the opportunity to perform a service for the nation; they should constantly be working towards progress instead of outmaneuvering the “opposition.” The political tactics that are used are simply divisive in nature, and they are not conducive to achieving what is in the best interest of the nation. Consequently, term limits might serve as a means to transition these positions back to statesmen and away from professional legislators.

There are many critics to this position, and even a Supreme Court ruling has deemed a Constitutional amendment necessary to even impose such an action.<sup>33</sup> Regardless of the arguments, the status quo is significantly deficient. Voters should be taking it upon themselves to handle unfavorable situations, but previous evidence has shown that it is not always working in that manner. Those that oppose such an action argue that limiting Representatives and Senators to a finite career length will ultimately hinder collaboration and polarize the system

even further than it has currently become. Additionally, restrictions would only disrupt the continuity of this complex body. Such assertions are easily countered. Knowing that an outlast maneuver is not feasible and there is only so much time available to be effective in the position, collaboration is much more likely to occur when faced with such conditions. Polarization of the political parties is flourishing under the current system and is not conducive to working as a collective unit. A legislative body that actively works together to achieve results is affected by polarization to a much smaller degree; the focus must be shifted to those areas where similarities exist to ensure progress continues. These efforts should be results-driven; blaming and tactics have only served to divide the parties even further. Finally, “business as usual” is not always the best way forward; new ideas and fresh perspectives provide valuable innovations that are not usually identified by those that have been continually immersed in the effort. Such a change to Congress’s business practices would most likely prove beneficial in the end.

Actions taken by Congress are critical to the overall success of any activity that they oversee. The constant maneuvering and politicizing of every decision that is made only serves to create a further divided population. These individuals are in those positions to make an impact on the direction that the United States needs to take to continue to progress and lead; stagnation is not an option. An inability to work together will ultimately lead to failure for all involved.

## **RECOMMENDATION**

Understanding the complexities of the federal budget is not a trivial task; more importantly, attempting to rectify potential issues in this realm becomes even more of an undertaking. National security is one of the upmost concerns for the United States; the types of capabilities desired in power projection and international influence come with a cost. As the current environment and trends have shown, dollars are not being spent effectively to fully

achieve the nation's intended long-term strategies. Various factors have been working collectively to condense and constrain the DOD's budget, and there does not seem to be any relief in the near future. To combat such negative synergistic effects, a multi-faceted approach will be required to be implemented. The process has and always will begin with Congress; this entity is a vital component to ensuring the nation's security. Shifting the focus of these elected officials to be more of a statesmen vice a professional politician is key, and a first step towards this goal is implementing term limitations. The current system is not optimal; potentially alleviating the benefits associated with longevity just might be the push needed to increase collaboration. This alteration to the status quo could also be the needed catalyst to start discussions on reining in mandatory spending. Any long-term fix to this problem is going to require some type of reductions or modifications to these benefits/entitlements. These changes will not be popular, but they are necessary and will require a strong resolve from all involved. Political maneuvering will only serve to hurt the overall effort; it is imperative that the focus remain on what is ultimately in the best interest of the nation. This is not only true with altering mandatory spending but also with eliminating earmarks and unnecessary constraints on how available dollars can be spent once appropriated. The NSS provides the foundation upon which defense requirements should be built; manipulation of these requirements to achieve an economic stimulus should be frowned upon and admonished by all representatives. Finally, the DOD must harshly scrutinize itself; long-term success is going to require an honest assessment of how funds are currently being spent. Requirements should be fully justified; every effort that is to receive funding should directly align with the security strategy that has been laid out. Efficiency and effectiveness of currently appropriated dollars is a critical component that must not be overlooked; every dollar is valuable, and the execution of such a scarce resource deserves

closer inspection. Once the Congressionally-directed restrictions are lifted, adjustments would need to be made to optimize internal operations. Adequately funding the DOD is an important aspect of national security, but that does not automatically translate into additional dollars being allocated.

## CONCLUSION

Reality can be harsh, but an appreciation of the current financial situation is imperative to the long-term stability of the United States. To maintain its leadership role in the international arena and the overall prosperity of its population, the United States cannot stand idle and allow spending to continue to grow at the current trending rates. If this situation is left unattended, not only will national security suffer tremendously, but the entire nation will face unprecedented threats. This gradual deterioration of available funding has a compounding effect that will not only shrink the DOD budget to the point of this entity being ineffective, but it will also force additional debt to be incurred to compensate for the rising mandatory bills. Too much debt and waning confidence of lenders on the likelihood of repayment will increase the cost of borrowing to a point that is unmanageable. Once this level is reached, the United States will be confronted with a financial crisis that it has never had to face; this would drastically alter the U.S.'s standard of living. Understanding the interrelationships and construct of the federal budget serves as the foundation necessary to advocate change. The status quo is not an acceptable option; this situation will not simply mend with time. The federal budget and the lack of control over it is a recognized problem; unfortunately, the current system and the approaches taken thus far have not garnered positive results. To ensure that the long-term, strategic initiatives for the national defense are attainable and the DOD remains an effective institution, adjustments on several fronts will be required. The recommended actions will not be easily implemented and will

actually be met by much scrutiny, but they are a necessary “evil.” Passivity in this area only exacerbates the problem; a proactive approach is the only way to attain the desired results.



## ENDNOTES

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