

The Real Cost Of Spending 1 Percent More Of GDP On Defense

As the 2000 election nears, a rising chorus demands an increase in U.S. military spending from the current 2.9 percent of Gross Domestic Product to at least 4 percent. However, these observers don't mention a critical piece of the picture: how much that increase would cost in dollars, not percentage points.



The table below shows the GDP projections for 2002 through 2007, the years covered by the next Future Years Defense Plan, and how much is implied by 4 percent and 4.5 percent of that pie. The dollars are in billions with the effects of inflation removed.

According to the latest figures from the Office of Management and Budget, spending at least 4 percent of GDP on defense in the next six years would result in nearly doubling the Pentagon's current budget by 2007. That level of spending would dwarf the buildup overseen by President Ronald Reagan.

Among those calling in recent weeks for a defense budget that increases to at least 4 percent of GDP, and in some cases to 4.5 percent, are Frank Gaffney, president of the Center for Security Policy, a conservative national-security think tank; Gen. James Jones, commandant of the Marine Corps; and Adm. Jay Johnson, recently retired Chief of Naval Operations. In 1998, Gen. Gordon Sullivan, retired Army Chief of Staff, also made the proposal.

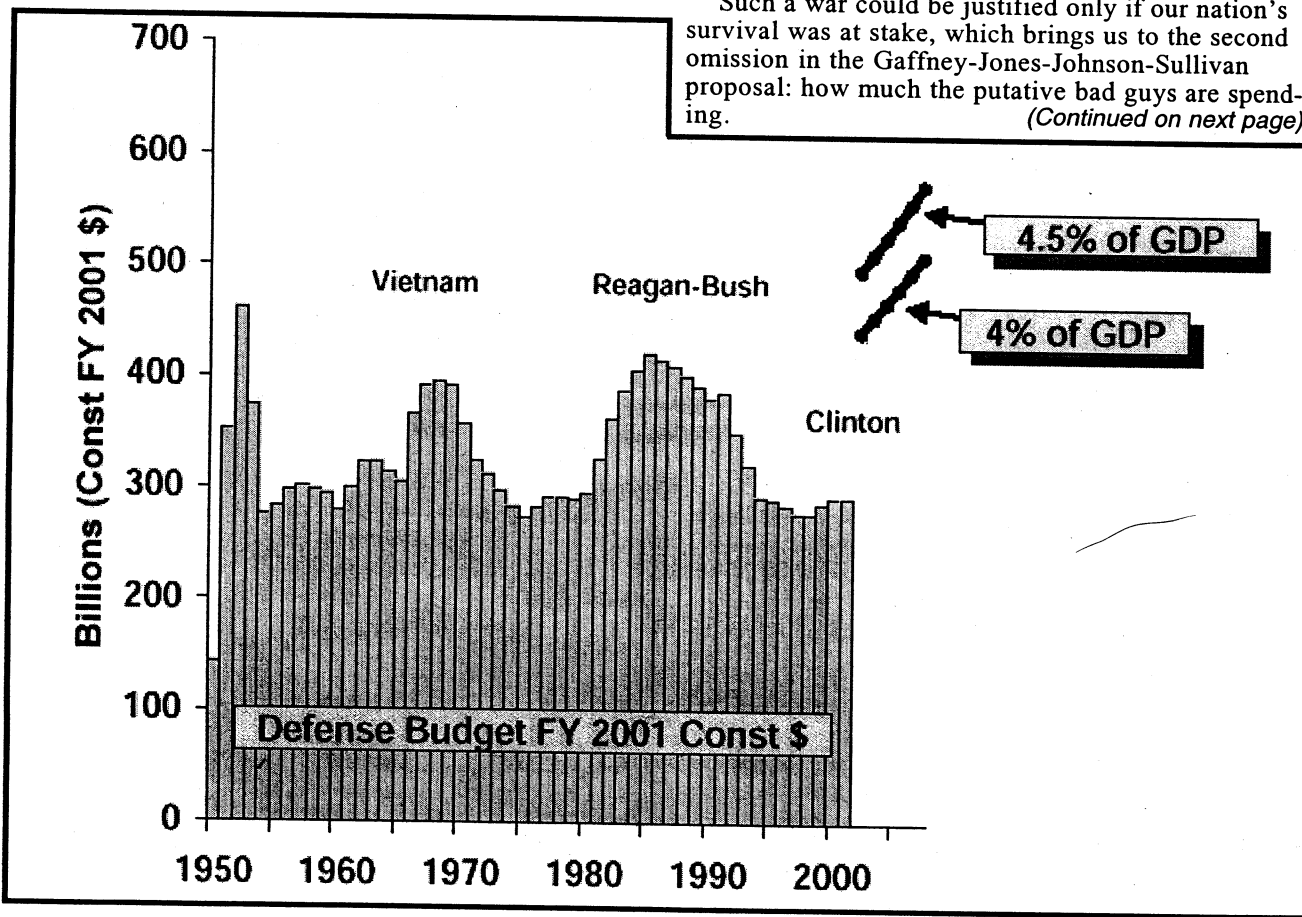
But the Office of Management and Budget's most recent prediction of GDP levels, released in June, makes clear the implications of such a policy.

Yr.	Constant FY 2001 \$ - Billion		
	GDP	4 percent	4.5 percent
2002	11039	442	497
2003	11366	455	511
2004	11696	468	526
2005	12030	481	541
2006	12375	495	557
2007	12734	509	573

The chart below places the 4 percent of GDP calls in historical context. It depicts in constant fiscal 2001 dollars how a seemingly modest increase of 1 percent of GDP would create a Pentagon bigger than the Cold War version more than a decade after the Cold War ended.

The 4 percent solution, if implemented in this decade, would be tantamount to a declaration of total war on Social Security and Medicare in the following decade.

Such a war could be justified only if our nation's survival was at stake, which brings us to the second omission in the Gaffney-Jones-Johnson-Sullivan proposal: how much the putative bad guys are spending. *(Continued on next page)*



The Real Cost Of Spending...

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In 1999, the most recent year for which data is available, the United States spent almost three times as much as the combined expenditures of Russia, China, Iran, Syria, Iraq, Libya, North Korea, Serbia, Cuba, and the Sudan—the states most often considered as potential adversaries. Add in the spending by our allies, and the current spending advantage rises to five and a half to one.

Under Secretary of Defense Jacques Gansler was correct in September 1998, when he said the Pentagon is in a "death spiral." But it is caused by the interaction of three problems: (1) a high-cost modernization program that makes it too expensive to modernize the force on a timely basis, even if current production plans are perfectly executed; (2) a rapidly deteriorating readiness posture brought on by the rising cost of low readiness, which is in part a consequence of the flawed modernization program; (3) a corrupt accounting system that renders it impossible to assemble the detailed information needed to fix the modernization and readiness problems and makes a mockery of the accountability principle that underpins the checks and balances of the Constitution.

To these problems, the military-industrial-congressional complex's only answer is a question: Can we please have a bailout? If they get one, it will not only continue the Cold War ways. It will spark a new war between America's senior citizens and its military that didn't have to happen.

—Spinney is an analyst with the tactical aviation division under the director of Program Analysis and Evaluation in the Office of the Secretary of Defense. The views expressed here are his own.

Advanced Photonix, Inc. Earns RAM Contract

Advanced Photonix, Inc. announced Aug. 23 it has received a \$550,000 contract from Raytheon Company for the detector fuse used on the Rolling Airframe Missile (RAM).

The Rolling Airframe Missile (RAM) Guided Missile Weapon System is the world's most modern ship self-defense weapon, and has been specifically designed to provide exceptional protection for ships of all sizes.

RAM is currently installed on, or planned for installation on, 83 U.S. Navy ships and 28 German navy ships. It has also been ordered by the Korean navy.

RAM is a supersonic, light-weight, quick-reaction, fire-and-forget missile designed to destroy anti-ship missiles. Its autonomous dual-mode passive RF-to-IR guidance design, requiring no shipboard support after missile launch, uniquely provides high-firepower capability for engaging multiple threats simultaneously.

Brown & Root Services Helps Eliminate Russian ICBMs

Brown & Root Services (BRS), a business unit of Halliburton Company, has been awarded a contract by the Defense Threat Reduction Agency (DTRA) to provide integrated project management, integrated logistics support, and data management for a \$283 million project to eliminate Russian ICBMs and their silos.

The project, a part of the START I Treaty, will be based in Russia and will require establishment of a Project Management Office in Moscow. The contract, a two-year base agreement with seven option years, will start in late September. As prime integrating contractor of the project, BRS will manage Russian subcontractors.

Halliburton established a Former Soviet Union corporate management in 1991 and has a long-term commitment to the FSU.

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