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The Five Best ~~“Investments”~~ Resource Decisions in National Security

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I was originally asked to address the five areas where our country has the most need to invest more for its security. This, however, is not the approach I would currently take to either issues involving national security or federal spending. In fact, my approach is almost the opposite. I am not a “spend without taxing” Republican, and I don’t find much to celebrate in a President and Congress that have done the worst job of fiscal management in our nation’s post-World War II history, if not our nation’s entire history.

If the US is to be both secure and globally competitive, it needs basic fiscal responsibility, regardless of the importance of the public policy issue. This means hard trade-offs, not betting on the come, deferring decisions, or letting future (outyear) costs escalate while appearing to control budget obligations (BO) during the current and next fiscal years. It means matching revenues and expenditures, and asking the American public to assume equal fiscal responsibility for the individual.

Too Much is More Than Enough

At this point in time, it is difficult, if not impossible to even determine how bad the level of American fiscal irresponsibility is getting. Estimates of the trends in the national debt, budget deficit, or the future costs of mandatory expenditures/entitlement programs are so subject to political views and problems in cost estimates that the only thing really clear is a steadily growing vector of overspending. This situation is made worse by Congressional gimmicks to get through the current year, like the Budget Reconciliation Act, games with supplementals, and undercosting outyear expenditures.

The CBO budget outlook for FY2007-FY2016 makes very favorable assumptions about Congressional willingness to reimpose a massive tax burden when past cuts begin to expire in 2010, tax and impose constraints on additional spending in face of major lobbying efforts. Even so, one sees the following trends:¹

- A \$337 billion baseline deficit costing 2.6% of the US GDP for FY2007, with a more realistic total of \$360 billion, or 2.8% of the GDP, including supplementals for the wars.
- Mandatory expenditures will continue to increase by 5.8% per year during FY2007 through FY2016, versus 2% for discretionary expenditures (a pace less than half the assumed average growth in the GDP).²
 - Total Social Security, Medicare, and Medicaid costs will rise from 43% of all federal spending in 2006 to 56% in 2016, and from 8.7% of the GDP to 18.8%.³
 - A rise in Medicare costs from 7.4% in 2008 to 8.3% in 2016.⁴
 - A rise in Medicaid spending to 8.3% of the GDP by 2016.⁵

In practice, we live with a Congress and a Presidency that seem committed to “pork,” creeping entitlements cloaked by unrealistic budget reconciliation acts, and a refusal to debate and make hard decisions. There are reasons that other projects warn of trends in federal spending that include:

- According to the CBO baseline forecast, the federal budget deficit is estimated to change from \$318 billion in 2005 to \$337 billion in 2006, \$271 billion in 2007, \$259 billion in 2008, \$241 billion in 2009, \$222 billion in 2010, and \$114 billion in 2011.⁶
- Other projections, however, forecast that if current policy trends continue, they will lead to large sustained deficits. For example, the Concord Coalition baseline projection

estimated that the federal budget deficit would reach approximately \$380 billion in 2007, \$390 billion in 2008, \$400 billion in 2009, \$410 billion in 2010, and \$500 billion in 2010. In addition, this projection estimated that the U.S federal budget deficit would reach approximately \$800+ billion in 2015.⁷

- According to the CBO baseline forecast, the federal debt is estimated to change from \$3.3 trillion in 2005 to \$3.5 trillion in 2006, \$3.8 trillion in 2007, \$4.1 trillion in 2008, \$4.5 trillion in 2009, \$4.8 trillion in 2010, and \$5.2 trillion in 2011.⁸

Accordingly, my priorities are how to reduce investment and expenditures in our federal budget or how to make trade-offs. If we want national security in a era where geoeconomics are at least as important as geopolitics, we need a society that is competitive, that allows free markets to work while protecting those who truly need public aid, and where individuals remain productive and pay their own way.

The US has very real external threats, rivals, and foreign enemies. It needs to fight the “long war” against extremism and terrorism, to aid its allies, deter potential enemies, and defeat real ones. It does not, and cannot, afford to mortgage its future, and sacrifice its youth to pay for the elderly. And, given present trends, it is excessive federal spending, entitlements for the elderly, and national spending on health care that seem to be more of a threat to US security than real and potential foreign enemies.

Five Approaches to Spending More Wisely Rather than Simply Spending More

There are five ways that I would propose this be done to improve US national security:

1. The number one priority is how to keep federal spending capped at the current level of roughly 19% to 20% of GDP, and do so in ways that do not drive states to increase their share of GDP. In an era where economic power and development are probably more important than military power, the key to national security is to cap – and hopefully roll back – public spending and simultaneously cut the deficit.

In reality, this will only be possible if Americans openly debate the trade-offs between increased reliance on the federal government and/or increased federal debt, and limiting public spending generally. Asking a given Congress or Presidency to act decisively without popular support is almost certainly a triumph of hope over experience.

There are, however, measures that might help:

- Focus federal planning and budgeting on controlling both budget authority (BA) and BO, not just BO. Require every federal department and agency to submit a five-year rolling program budget, and require Congressional approval of the program budget and not just BA and BO in a single year.
- Require the Executive Branch to provide at least a 30 year projection of all mandatory program costs, require all bills with mandatory provisions and costs to be costed for 30 years, and require Congress to vote on the outyear estimates and not simply BA and BO in a single year.
- Put an end to phony reconciliation acts, do not ignore the real-world need to bring taxation back to the levels to sustain the budget without more deficits and increases in the national debt, and halt entitlement creep (or leaps like drug benefits for seniors).

2. The second priority is to stop making the elderly the nation's highest spending priority and ensure that sufficient funds are available for defense. The federal government has a responsibility to help the elderly poor, It does not have any responsibility to allow baby boomers and their successors to spend their incomes without saving or protect the financial irresponsible.

The US is a rapidly aging society and this is having a massive impact on federal spending as well as the structure of the American labor force:

- The percent of the US population over 65 will continue to rise from 14% in 2016 to more than 19% in 2030.⁹
- CBO estimates that number of US adults under 65 will grow by 12% over next 30 years but number over 65 will double. Older population rises from one-fifth to one-third between 2005 and 2050.¹⁰
- Social Security costs must rise, driven by the first baby boomers reaching age 62 in 2003, that means that the burden Social Security puts on the US economy will rise from 4.8% of the GDP in 2008 to 6.5% in 2016.¹¹
- Medicare costs increased by more than 10 times as a percent of GDP between 1970 and 2004, from 0.7% to 2.6%. Medicaid costs increased by more than 15 times as a percent of GDP between 1970 and 2004, from 0.3% to 1.5%.¹² Total is 0.1% in 1970 and 4.1% in 2004.
- The cost of budget outlays for Social Security and Medicare rise by a trillion dollars from FY2007 to FY2016. (\$1.4 to \$2.5 trillion)¹³
- The CBO estimates that combined federal spending on Social Security and Medicare will rise about 2% of GDP over next decade, from around 6.5% to 8.7%. Last year, it projected they would rise to 12.8% by 2025, and 22.6% by 2050.¹⁴
- To keep such programs funded, and keep federal budget under some sort of control, the CBO estimates discretionary spending must drop from about 8% of GDP to 6%.

The US cannot afford this kind of growing social and economic burden. Equally important, there are basic societal issues the US needs to debate if it is to remain competitive and fund the security it needs. Setting early retirement as a de facto entitlement is a vast waste of productive talent in an ageing society, and often is a recipe for personal stagnation and early death.

Freeing the individual of responsibility for poor personnel health and avoidable congenital conditions is also not a responsibility, and neither is prolonging life without regard for the conditions of the life being prolonged. The US can make a transition to a "post industrial" society, but a shift to a "post productive" society simply cannot work.

As a result, if the US truly wants national security, it is going to have to increase the retirement age to match the increase in longevity, and improve the working and living conditions of the elderly than focus on retirement. It is going to have to eliminate discriminatory federal subsidies for the aging; and make new, hard actuarial choices about retirement – average of 5 – 10 years. It is almost certainly going to have to raise the working age to at least 70, and possibly 75 if life expectancy continues to rise. Pay as you age without public help except for the truly poor.

There also needs to be a public debate, and much more demanding public policy choices, about how. This means much more demanding restrictions on the ability of medical care and retirement

facilities to prolong life without the reasoned consent of the individual involved, and hard trade-offs about some forms of chronic care, especially for Alzheimer's.

3. Rethink priorities for investment in national health care generally. Not find credible projections of rate of increase in total health care costs nationally, or as part of GDP.

At this point in time, the US probably does not face any foreign enemy that is half as threatening as its medical care profession. Somewhere along the line, the US has lost sight of the fact that medical is only one societal priority among many, and that the US goal should be better and more efficient health care at lower total cost – not added federal, state, local, or private expenditures.

It may be politically incorrect to raise the issue, but the Department of Health and Human Services (DHHS) reports a truly alarming pattern of cost escalation. Its estimates show the following trends total private, corporate, and public costs:¹⁵

- Total national medical expenditures have risen from \$75 billion in 1970, to \$255 billion in 1980, \$717 billion in 1990, \$1.4 trillion in 2000, and \$2.2 trillion in 2006.
- DHHS estimates they will cost \$2.3 trillion in 2007, \$2.9 trillion in 2010, and \$4.0 trillion in 2015.
- They consumed 14% of GDP in 2000 and rose to 17% in 2007. DHHS projects they will rise to 18% in 2010, and 20% in 2015.
- The cost of administration and net cost of private health care rose from \$2.7 billion in 1970, to \$12.2 billion in 1980, \$39.2 billion in 1990, \$89.6 billion in 2000, \$164.2 billion in 2007, \$210.6 billion in 2010, and \$289.7 billion in 2015.
- Cost of prescription drugs rising from \$5.5 billion in 1970, to \$12.0 billion in 1980, \$40.3 billion in 1990, \$120.8 billion in 2000, \$236.8 billion in 2007, \$299.2 billion in 2010, and \$446.2 billion in 2015.

A CBO estimate of the cost path for the long-term costs of Medicare and Medicaid that is slightly lower than historical trend, estimates that an aging population would drive the GDP burden up to for Medicare and Medicaid combined at 8.1% in 2020 and 21.9% in 2050.¹⁶

There is no consensus as to the exact numbers and trends involved, but other sources produce similar results. The National Coalition on Health Care estimates National Coalition on Health Care estimates \$1.9 trillion in 2004 and rising to \$2.9 trillion in 2009.¹⁷

- Health care costs 4.3 times US spending on defense.
- 16% of GDP in 2004, rising to 20% by 2015. (around 10% in most countries with national health care)
- Employment based premiums up by 73% since 2000.
- Drop in average services covered during same period.
- Clear is rising steadily as percent of GDP and normal private incomes.

From the viewpoint of federal expenditures, the US has a need to insure the poor and protect the productive, and no reason to try to fund immortality. It should also be able to do this and still make major reduction in both federal and total national expenditures on health care.

Once again, the data are uncertain. However, the National Coalition on Health Care estimates there were nearly 46 million uninsured in 2004. The US, however, is spending nearly 50% more of its total GDP on health care than most industrialized states that provide national medical insurance.

If the US is to fund defense and other discretionary expenditures, it has to start asking why other industrialized societies are spending only 9-12% of their GDPs on health care. One key reason may be the incredibly inefficient structure of administrative overhead forced by the combination of federal, state, local, and private practice. While the numbers again are uncertain, an article in the New England Journal of Medicine (8-21-03) found the following:

- Between 1969 and 1999, the share of the U.S. health care labor force accounted for by administrative workers grew from 18.2 percent to 27.3 percent. (NEJM. 8-21-03)
- In 1999, health administration costs totaled at least \$294.3 billion in the United States, or \$1,059 per capita, as compared with \$307 per capita in Canada. 31% of all medical costs in US.

Nothing indicates that things have not grown worse in the six years that have followed the period covered in this study.

In short, we not only need to cap spending on medical care, we need major trade-offs to reduce it. A large part can probably come from increasing efficiency, and forcing down profit margins that do not directly involve care. From a national security perspective, however, as well as in the interest of other discretionary spending on competing social needs. We need a medical sector that consumes something much closer to 10-12% of the GDP, and we definitely need to avoid an increase.

4. Use part of reduction in mandatory or entitlements expenditures to provide a limited increase in national security expenditures pushing back to Cold War levels of GDP and federal spending.

Defense too is only one priority among many, but the early part of the 21st Century is clearly not going to be more stable or safer than the 20th. The US does not need radical rises in defense expenditures as a percent of its GDP, but it does need to recognize that it needs to maintain levels much closer to those it spent during the Cold War, particularly as long as it faces challenges like Iraq, Afghanistan, and the war on terrorism, and must prepare for potential conflict in Korea and over the Taiwan Straits.

When defense is considered in the broader context of Homeland Defense and emergency preparedness, it is clear why mandatory expenditures should not be allowed to either force further reductions in discretionary expenditures or drive up the total burden on the economy that is imposed by federal spending.

The US needs to make major trade-offs in the estimate cost of mandatory programs that are estimated to rise in cost from \$1.4 trillion in 2007 to \$2.5 trillion in 2016.¹⁸

- CBO long-term projections reduce from 4.0% in 4% in 2005, to 3.4% in 2015 to 2.0% in 2050 to pay for rise in mandatory programs in intermediate cost case. Defense drops to 1.6% if entitlements continue to rise at historical level.¹⁹
- Other discretionary spending drops from historical average of 3.6% of GDP, and 3.9% of GDP in 2005, to 1.8% in 2050.²⁰

To put such trade-offs in historical context, the CBO estimates that real adjusted defense spending over last 20 years has averaged \$406 billion in 2005 dollars, with high of \$485 billion in 1987, and low of \$322 billion in 1998 and 1999.

If one looks at recent costs, the Department of Defense Green Book for FY2007 shows that:²¹

- Total national security costs in outlays rose from \$298 billion in FY2001, in constant FY2000 dollars, to \$442 billion in FY2007 – a rise of 48% in real terms since 9/11.²² They rose from \$305 billion in FY2001, in current dollars, to \$536 billion in FY2007 – a rise of 75%.
- Such increases mark a very sharp rise, but defense costs have never been stable in real terms. Total national defense costs in outlays in constant 2000 dollars rose from \$267 billion in 1980 to \$399 billion in 1989 (49%). They dropped from \$383 billion in 1990 to \$284 billion in 1999 (-26%). They then increased by 50% from \$295 billion in 2000 to \$443 billion in 2007. (%) They are projected to drop to \$392 billion in FY2008 and then decline to \$389 billion in 2011.²³
- In spite of such rises, the burden national security spending puts on the national economy has dropped sharply over time. Total national security expenditures averaged around 9% of the GDP throughout the 1960s, and Department of Defense spending averaged around 8%. Total national security expenditures averaged around 9% of the GDP throughout the 1960s, and Department of Defense spending averaged around 8%. Both declined to levels around 6% in the 1970s, and remained at close to these levels in the 1980s. The end of the Cold War allowed them to drop to levels closer to 3.0% during the 1990s. Total national security expenditures rose back to around 4% of the GDP after “9/11” and Department of Defense to around 3.7%.²⁴
- The burden national security spending puts on the federal budget has also tended to decline. Total national security expenditures declined from 52% at the start of the 1960s, to 45% at the end. They dropped from 42% in 1970 to 23% in 1979, then rose to 27% in 1989. They dropped from 23% to 16% in the 1990s, and have since risen back of around 19-20%. The Department of Defense share has generally been about 1.5% to 2.7% lower.²⁵

The pressures defense puts on the economy and federal budget are low by historical standards, and minor compared to the pressures put on the budget by mandatory expenditures and entitlements. Moreover, even if defense spending rose by another third, it would still only equal the burden defense placed on the economy during the less expensive periods of the Cold War.

This is not a minor issue because the Bush Administration has submitted a FY2007-FY2011 defense plan that is totally unrealistic. It does not fund ongoing wars after FY2007, and even its 2007 figures are unrealistic given current supplementals. Less such supplementals, the Department of Defense projects spending in outlays as follows:

- In current dollars, projected national security expenditures go from \$536 billion in 2006 to \$ 527 billion in 2007, \$ 494 billion in 2008, \$ 494 billion in 2009, and then rise sharply to \$ 507 billion in 2010 and \$ 523 billion in 2011.
- In constant 2000 dollars, projected expenditures go from \$ 443 billion in 2006 to \$ 427 billion in 2007, \$ 392 billion in 2008, \$ 384 billion in 2009, and then rise much more slowly because of assumptions about inflation to \$386 billion in 2010 and \$389 billion in 2011.

The Administration also manipulates the future year defense plan (FYDP) for FY2007 to FY2011 by allowing BA (which does not affect the “balanced budget” to rise much more sharply and quickly in the outyears to fund defense program and force transformation, while delaying the rise in outlays (which does not affect the politics of budget balancing) until President Bush leaves office. This has become standard practice for outgoing administrations since the Eisenhower administration and allows a Presidency to understate the true cost of defense by slipping expenditures to the outyears, sometimes called “dancing to the right.”

The problem is that the US not only has to pay for its wars, but for a defense strong enough to implement its strategy and carry out a continuous process of force transformation. The 2006 Quadrennial Defense Review (QDR) dodged around these issues to the point of being vacuous by avoiding a clear link to the forces, programs, and resources required to implement its concepts, or even to the FY2007-FY2011 which effectively is the Bush Administration’s last chance to create and begin to actually implement defense transformation. Months of truly useful strategic thinking and efforts to actually take hard decisions were wasted.

The fact remains, however, that if one looks at future spending for the Department of Defense alone in FY2007 dollars, rather than the figures used for historical comparisons, actual warfighting and defense spending should almost certainly be budgeted at an average approaching \$100 billion more a year, rather than the figures shown below:²⁶

	FY2001	FY 2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Total BA (051-DoD)	364.0	512.1	510.1	479.5	441.0	453.0	461.0	459.3	457.3
Total B0 (051-DoD)	343.6	476.6	500.4	493.7	449.0	438.8	444.1	449.9	453.4
Total BA (050-Total)	-	533.9	533.1	503.7	463.0	473.5	481.5	479.2	477.2
Total B0 (050-Total)	-	497.8	522.8	518.2	471.5	459.5	470.7	471.6	473.1

The US needs to make the kind of trade-offs in other areas of federal spending that will increase defense’s share of the GDP by 1-2%.

5. Ruthlessly contain costs of military procurement and technology and fund adequate end-strength.

Trade offs and hard choices need to be made within the national security account, and the Department of Defense as well. The Department of Defense has done more than simply fail to create a meaningful QDR and transformational program and budget, it has failed to management procurement and relied on technology as a substitute for military end strength.

In the real world, the money budgeted for military end strength or “manpower” just barely handles the past rise in manpower costs above the standard DoD inflator plus the growth of military entitlements. It could easily produce a 7-10% cut in end strength by FY2011.

The reality is that the Department almost certainly cannot substitute technology for more boots on the ground and better minds above them. If it is to solve its recruiting and retention problems on a long run basis, and provide the necessary time for training and career development, it needs a larger pool of military manpower to draw upon.

It also needs a fairer deployment cycle in wartime with less risk for the serving military and fewer burdens on military families. The US cannot revert to a draft—it would simply create a nightmarish pool of semi-trained and rapid rotation forces. At the same time, reliance on an all-

volunteer force structure implies a social contract in which neither the active nor reserve forces are over-deployed.

Modularity and the reorganization of the Army and Marine Corps can help if they are fully funded, rather than “nickel and dimed.” Talk about longer tours is scarcely the answer, and rebalancing the active and reserve force can only have a minimal real world effect. Converting more military slots to career civilian slots only affects cost at best, and contracting out is already a nightmare. The supposed dollar benefits ignore the inefficiency and corruption of far too many contractor activities, and worse, the tendency to put unqualified, but cleared, contractor personnel in place to “burn” time for contract money.

In contrast, the very real advantages of technology and modernization threaten to be lost by a massive procurement program that is a cost escalation nightmare, that forces constant cuts in both the active force and the numbers of new systems to be procured, and which can only be financed – even on paper—by cutting the funds for technology in the outyears as well as limiting other key expenditures like O&M and manpower.

The Department of Defense essentially fakes a transformational procurement budget by another form of “dancing to the right:”

- Procurement by 22% in BA from FY2007 to FY2011, appearing to fund major programs, but only by 12% in BO. Instead of taking hard decisions, the QDR and FYDP stretch out and maintain unaffordable programs, minimize their impact on measures of the balanced budget, and stick President Bush’s successor with burden of either taking hard decisions or a funding nightmare.
- The technology base is underfunded, and not because it is really hard to predict the cost of future programs. The FYDP increases RDT&E funding by 28% between FY 2005 and FY 2009, from \$144 billion to \$185 billion. It then mysteriously drops by 10% between FY2009 and FY2011 --evidently to allow a shift of funds into procurement.

What makes this even worse, is the scale of the Department’s recent failures to manage procurement programs and cost escalation. The GAO’s March 2006 study of the Department’s ability to manage such programs shows that estimated defense investment has doubled from around \$700 billion to \$1.4 trillion over the last five years.²⁷

- The top five weapons programs’ costs escalated by 89% between FY 2001 and FY 2006, from \$291 billion to \$550 billion.²⁸
- The average cost escalation of the 52 programs that the GAO surveyed was 38% in FY2006 dollars from FY2002 to FY2005.²⁹
- 26 common set weapons programs showed RDT&E cost escalation of \$44.6 billion, or 37% over the original business case.³⁰
- Weapons programs typically take longer to develop and cost more to buy than planned. For example:
 - Future Combat Systems costs have escalated 76% to \$160.7 billion since the program started.³¹
 - F-22A Raptor program unit costs have escalated 188.7% while the quantity to be procured has decreased by 72.1%.³²

- As of March 2005, the unit cost of the extended range guided munition program had escalated 319% while the quantity to be procured had decreased by 63%.³³
- The unit cost of the SBIRS-High program has escalated 315% while the quantity procured has decreased by 40%.³⁴

These cost escalation figures only touch the tip of the iceberg, however, because many key programs cannot yet be costed, because the active inventory and force structure are being cut to pay for some programs; because the total number to be procured is often cut, and because the procurement schedule is often slipped further into the outyears to avoid having cost rises appear in the FDYP.

The US needs equipment transformation and modernization as well as manpower. It needs to continue to lead the world in conventional and nuclear warfighting technology, as develop new capabilities for counterinsurgency, counterterrorism, and homeland defense. But, it must have far more realistic planning, far better cost containment, and decision makers who make firm and timely hard decisions.

Manpower and procurement need to be brought into balance, trade-offs need to be made, and the top leadership of the Department and the military services have to be made to actually lead and take hard decisions. Better planning and management systems, and procurement reform, will be largely a disruptive waste of time if they are not preceded by such actions. Above all, useful legacy systems and forces in being should not be sacrificed for a field of dreams.

	FY2001	FY 2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
<u>BA (051-DoD)</u> ³⁵									
Military Manpower	95.1	126.9	128.3	118.9	113.1	111.1	110.8	110.4	110.1
Procurement	71.0	89.0	101.0	88.1	84.2	97.7	104.1	104.9	108.2
RDT&E	47.3	69.4	72.0	72.6	73.2	72.8	72.0	68.8	64.9
<u>B0 (051-DoD)</u>									
Military Manpower	91.8	124.2	134.8	119.5	109.9	111.3	110.8	110.3	113.1
Procurement	61.5	82.1	86.2	90.7	89.7	86.7	90.7	96.7	101.1
RDT&E	45.7	65.5	68.8	72.3	72.0	71.5	71.2	69.2	65.9

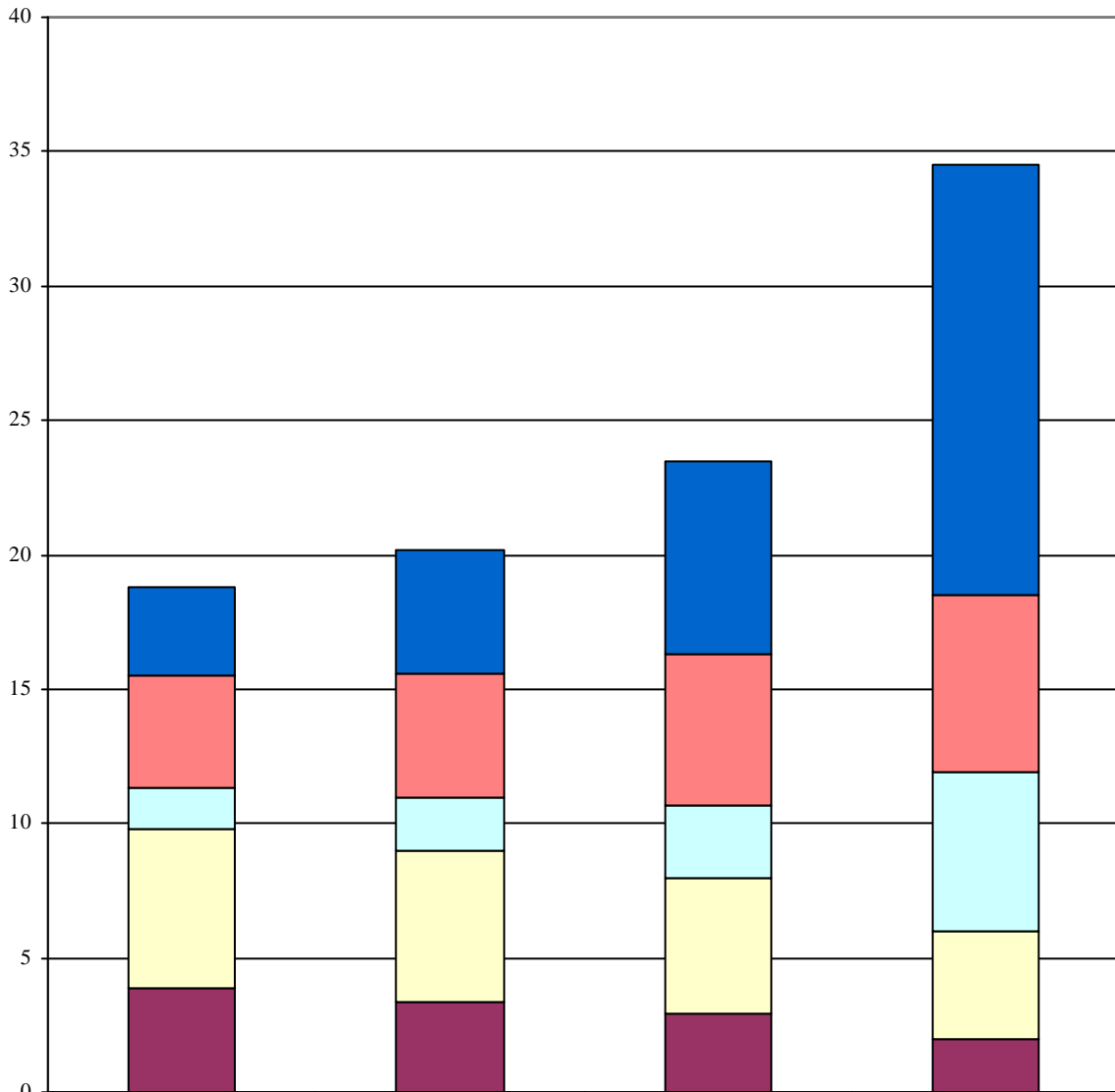
Debating the Overall Balance of National Spending

There are many other areas where serious public policy debate is needed of how to make trade-offs, rather than simply spend or invest more. Energy, education, and global competitiveness are just a few.

In broad terms, the previous issues illustrate a much more serious problem in the way the US approaches public policy. Even the most pressing problems still raise serious issues about the priority of any given solution. Unless such solutions are costed in terms of their long-term impact on the national budget and GDP, it will always be easy to call for more incremental spending. This is particularly true if one does not consider the cost impact in future years, undercosts a given solution, and never has to explicitly argue merit in terms of other national needs.

Nothing the US does, however, can be funded except through t the sacrifice of something else. This is just as true of lives as it is of dollars.

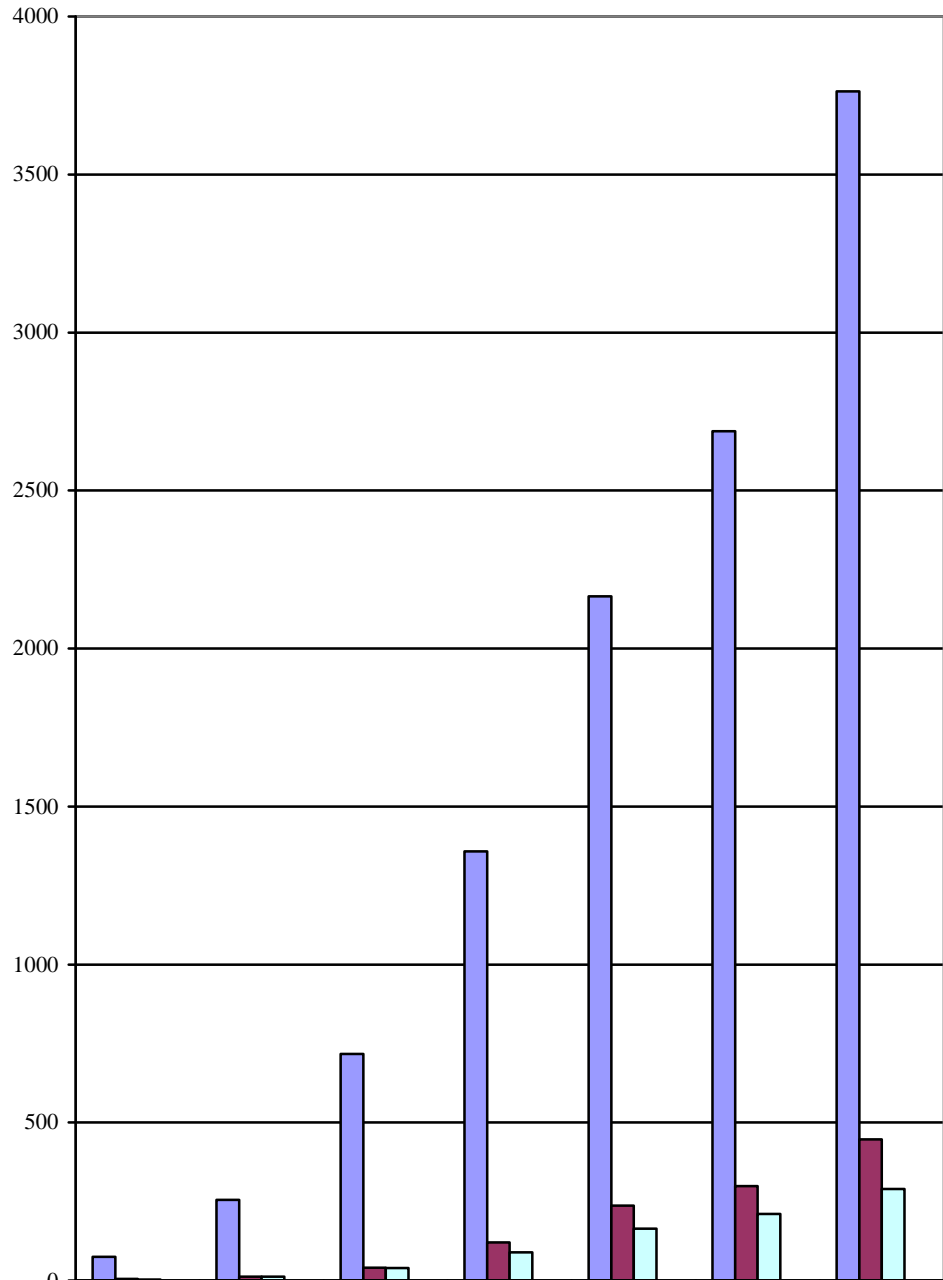
Entitlements “Hell:” CBO FY2006 Estimate of Cost of Programs as a Percent of GDP



	2007	2015	2025	2050
■ Medicare	3.3	4.6	7.2	16
■ Social Security	4.2	4.6	5.6	6.6
■ Medicaid	1.5	2	2.7	5.9
■ Other	5.9	5.6	5.1	4
■ Defense	3.9	3.4	2.9	2

Source: Author’s compilation based on President’s FY2007 budget request, CBO analysis of budget and economic outlook for FY2007-FY2016, and primarily on the range of extrapolations in Congressional Budget Office, The Long Term Budget Outlook, December 2005, p. 10 and .. For additional analysis, see US Government Accountability Office, “21st Century Challenges: Reexamining the Base of the Federal Government,” GAO-05-325SP, February 2005.

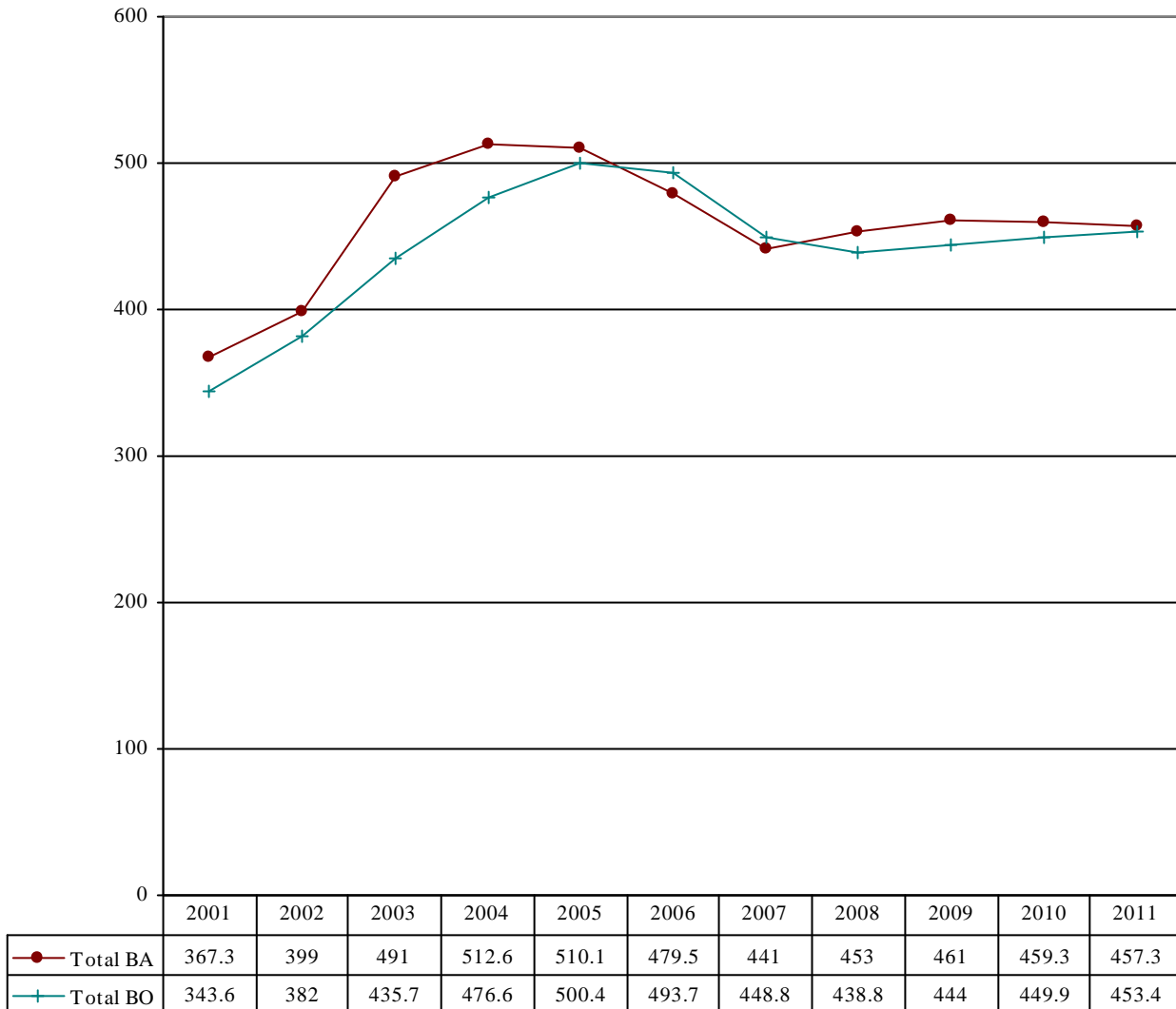
Curing the Nation to Death: Rising Health Care Costs and National Insecurity



	1970	1980	1990	2000	2007	2010	2015
Total	75	255	717	1,358	2,165	2,688	3,763
Prescription Drugs	5.5	12	40.3	120.8	236.8	299.2	446.2
Administration and Net Cost Private Health Care	2.7	12.2	39.2	89.6	164.2	210.6	289.7
Percent of GDP	-	-	-	14%	17%	18%	20%

Department of Health Care and Human Services data base, accessed 19-4-06, <http://www.cms.hhs.gov/home/rsds.asp>, and <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2005.pdf>

Budgeting for a Warless World After FY2006: Total DoD Budget FY2002-FY2011
 (DoD O51 Account in Constant FY2007 Billions)



Source: FY2007 Green Book, pp. 4, 115 and 133

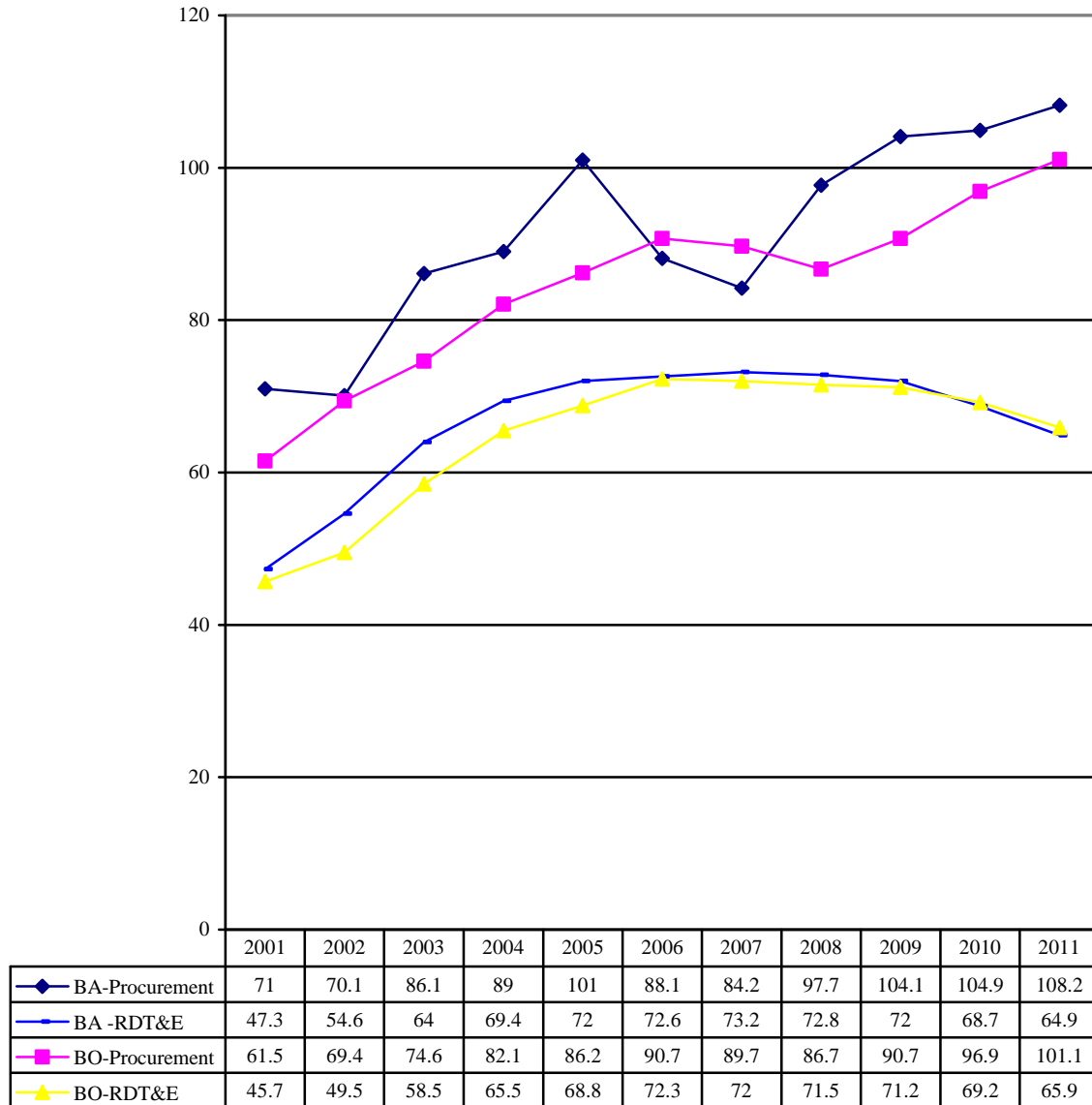
Less Money for Boots on the Ground and Minds Above Them: Total DoD Manpower Expenditures: FY2002-FY2011
 (In Constant FY2007 Billions)



Source: FY2007 Green Book, p. 115 and 133

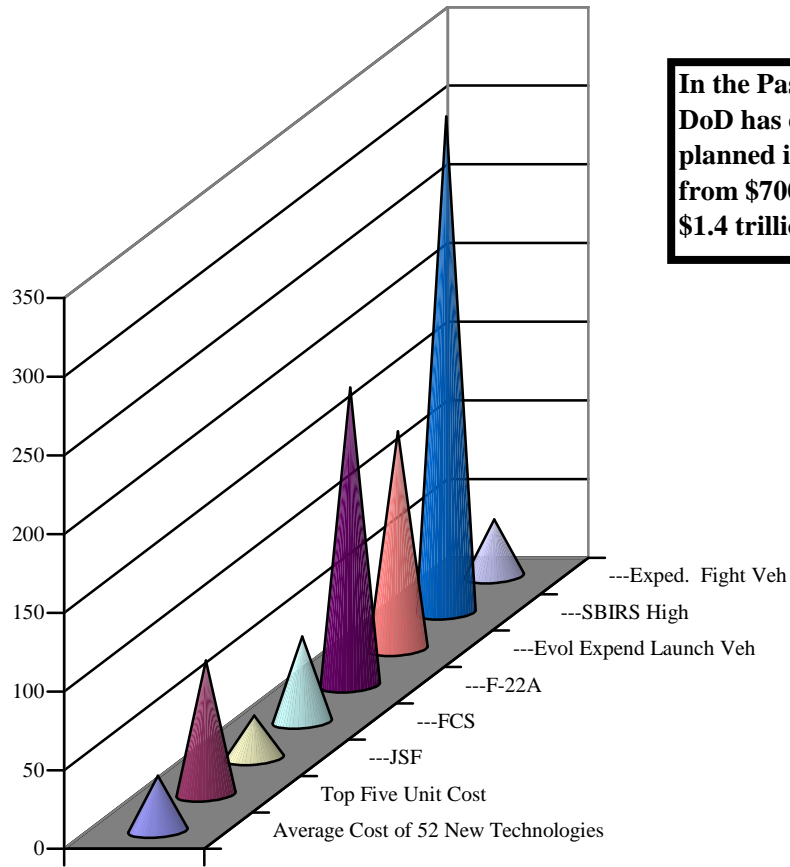
Dancing to the Right: Projected Defense Procurement and RDT&E Expenditures: FY to FY2011

(In Constant FY2007 Billions)



Source: FY2007 Green Book, p. 115 and 133

Procuring Defense to Death: The Wonderful World of “Transformational” Cost Escalation: 2001-2005



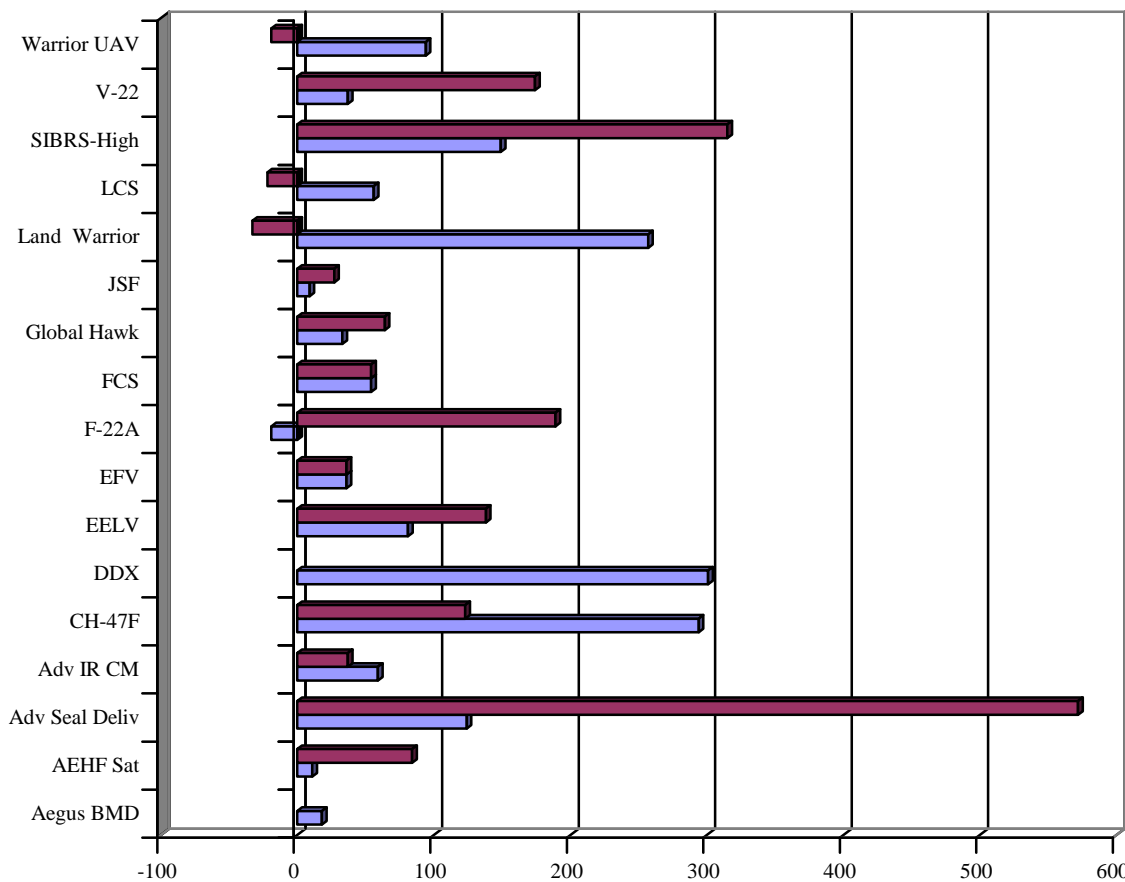
In the Past Five Years, DoD has doubled its planned investments from \$700 billion to \$1.4 trillion

■ Average Cost of 52 New Technologies	35
■ Top Five Unit Cost	85
□ JSF---	27
□ FCS---	54
■ F-22A---	189
■ Evol Expend Launch Veh---	138
■ SBIRS High---	315
□ Exped. Fight Veh---	36

Source: Government Accountability Office, “Defense Acquisitions: Assessments of Selected Weapons Systems,” GAO-06-391, March 2006.

Short-Term (2001 or Later) Cost Escalation As of July 2005

(Percent in Constant FY2006 Dollars)



	Aegus BMD	AEHF Sat	Adv Seal Deliv	Adv IR CM	-CH 47F	DDX	EELV	EFV	F-22A	FCS	Globa l Hawk	JSF	Land Warri or	LCS	SIBR -S High	V-22	Warri or UAV
■ Unit Cost	-	84	572	37	123	-	138	36	189	54	64	27	33-	22-	315	174	19-
■ Program Cost	18	11	124	59	294	301	81	36	19-	54	33	9	257	56	149	37	94

Source: Author's compilation based on President's FY2007 budget request, CBO analysis of budget and economic outlook for FY2007-FY2016, and primarily on the range of extrapolations in Congressional Budget Office, The Long Term Budget Outlook, December 2005, p. 10 and ., For additional analysis, see US Government Accountability Office, "21st Century Challenges: Reexamining the Base of the Federal Government," GAO-05-325SP, February 2005.

¹ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2007-2016," January 2006, and Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006.

² Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 5

³ Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 5.

⁴ Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 4.

⁵ Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 4.

⁶ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2007 To 2016," p. 19.

⁷ Concord Coalition baseline estimate, available at <http://www.concordcoalition.org/issues/fedbudget/charts/0601-plausible-baseline.pdf>

⁸ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2007 To 2016," p. 2.

⁹ Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 5

¹⁰ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, p. 19.

¹¹ Donald B. Marron, "The Budget and Economic Outlook: Fiscal Years 2007-2016," Testimony before the Committee on the Budget, US Senate, February 2, 2006, p. 3.

¹² Congressional Budget Office, "The Long Term Budget Outlook," December 2005, pp. 29 and 30.

¹³ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, p. 19.

¹⁴ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, p. 31.

¹⁵ <http://www.cms.hhs.gov/home/rsds.asp>, and <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2005.pdf>.

¹⁶ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, p. 31; Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2007-2016," January 2006. P. xv.

¹⁷ <http://www.nchc.org/facts/cost.shtml>;

¹⁸ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2007-2016," January 2006, p. 9.

¹⁹ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, pp. 37-38.

²⁰ Congressional Budget Office, "The Long Term Budget Outlook," December 2005, p. 39

²¹ Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006,

²² Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, p. 207.

²³ Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, p. 207.

²⁴ Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, p. 216.

²⁵ Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, p. 216.

²⁶ Adapted from Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, pp. 4 and 5.

²⁷ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006: 1.

²⁸ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006: 5.

²⁹ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006.

³⁰ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006: 6.

³¹ "Defense Acquisitions: Improved Business Case Is Needed for Future Combat Systems Successful Outcome." Government Accountability Office Report to Congressional Committees, 14 March 2006: 3.

³² "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006: 8.

³³ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2005: 4.

³⁴ "Defense Acquisitions: Assessments of Selected Major Weapon Programs." Government Accountability Office Report to Congressional Committees, 31 March 2006: 8.

³⁵ Office of the Under Secretary of Defense (Comptroller), "National Defense Budget Estimates for FY2007, March 2006, pp. 115 and 133.