

## THE DEFENSE BUDGET PROCESS

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### Summary

This article examines the way military budgets are put together, the roles of the major participants, and the influence of security, economic, political, and bureaucratic factors. The system followed in the United States is used as a case study.

### 1. Introduction

The military budget reflects the end of a process in which decisions are made about future military expenditures. In the U.S.A., where military spending has been high for many years, these decisions have important consequences for the economy and a variety of private and public interests, as well as for national security and the military. The process of determining the size and composition of the budget involves a wide array of groups in the executive and legislative branches of government. Technically, it is formulated into a budget proposal by the DOD and the Office of the President and submitted to Congress. Congressional committees then review the proposal, make changes to it, and send it back to the president in the form of a legislative bill for final approval by the president. The reviews in Congress are done mostly in committee hearings open to the public and the news media, as are the final debates and votes in the House of Representatives and the Senate.

The military budget process appears to be systematic, rational and open to public scrutiny and debate. Supposedly, all the threats to national security are examined, an optimal strategy to defend against them adopted, and the cost of carrying out the strategy transformed into a budget. The reality is different. While serious thought about military policy goes into the budget, and the end result shapes military posture for years to come, the process also serves as a more or less closed market place where public resources are allocated among a relatively few powerful public and private interest groups. In addition, the annual cycle of congressional hearings and debates about military spending lends itself

to political posturing where elected officials accuse one another of being either for or against the military, and adopt positions with respect to military programs and activities that have as much to do with the needs and wants of their constituents and the next round of elections as with national security.

## **2. Background**

The idea of a centralized budget system in the federal government, under the control of the president, came late to the U.S. Until the 1920s, the practice was for executive departments, including the Army and Navy, to submit their budgets directly to congressional committees. But the committee structure left Congress unequipped to deal with overall government expenditures, to relate them to revenues, or to establish national priorities. As the size and responsibilities of the federal government grew, and as America's involvement in major wars exacerbated the problems of deficit spending, financial management, and allegations of widespread waste and corruption, the need for budget reform became more apparent. The system was finally changed after World War I for the purpose of achieving greater economy and efficiency in government. Additional reforms were adopted after World War II and after the war in Vietnam.

In the early 1960s, one of the most important reforms, known as the planning-programming-budgeting system, was introduced. Conceived by economists at the RAND Corporation, a private think tank with close ties to the Air Force, PPBS was intended for the entire government. Its use has been discontinued in most federal agencies but some of its elements have been retained by the DOD. Among the major innovations of this reform were the efforts to relate the costs of government programs and activities to the missions of each department and the use of techniques to evaluate the costs and benefits and other relative merits of existing and alternative programs. This was an advance over the traditional approach in which funds were provided to pay for salaries, supplies, equipment and other purchases, and for the uses of things purchased. However, the new objectives were often difficult to achieve. The DOD lacked the analytical tools to measure accurately the effects of military programs on missions such as deterring or winning wars, or successfully responding to other kinds of threats to national security.

An innovation of PPBS that has been widely adopted is the preparation of budget estimates for several years following the present year. The long-term projections help policy makers to understand the future costs of present decisions. But the projections are frequently unreliable because of the inherent uncertainties of the future and because those who prepare budgets are sometimes disposed to understate the costs of new programs so as to gain their approval.

Despite considerable improvements in military budgeting over the years, vestiges of the old system remain. The DOD must submit proposals for spending to the president and his budget office, OMB, and a complex exercise has been established within the Pentagon to review strategies, policies, programs and plans, and translate requirements into a budget. But the military services maintain close relationships with the military committees of Congress and with their help often make end runs around the budget process. They also guard their financial and institutional independence from one another and from the DOD and the White House.

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### Biographical Sketch

**Richard F. Kaufman** is Director, Bethesda Research Institute and a member of the board of Directors of Economists Allied for Arms Control. He formerly served as General Counsel of the Joint Economic Committee of the US Congress and was a Fellow of the Woodrow Wilson Center for International Scholars. He has also served as a member of US delegations to NATO conferences on defense economics and on National Research Council study panels on the former Soviet Union and on transitional economies.