



# Audit of the Conventional Wisdom

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## Budgets to Make America Safer

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Since September 2001, federal budgets for national security have climbed more than 50 percent in real terms. Unfortunately, much of the added money reflects “business as usual” rather than programs aimed at making the nation safer from today’s threats.

Compared with past decades, national security spending makes up a relatively small share of the U.S. economy. Nevertheless, with the federal debt growing rapidly and as large numbers of baby boomers approach retirement age, many observers expect future federal budgets to be tight. Thus it is critically important to ensure that national security funds go to projects that make the nation more secure. This article examines broad changes in national security budgets since September 2001. It first reviews the three categories of federal spending for national security. It then examines how budgets in those categories have changed since September 2001. It ends with a look at alternatives that seem more relevant in an era of international mass-casualty terrorism.

### Three Ways to Improve Security

Three categories of federal spending are closely related to national security. The first is national defense—the offensive element. National defense includes funds for the Department of Defense (DoD), nuclear activities of the Department of Energy, and smaller military-related programs in other agencies. The national defense budget pays to raise, equip, train, and maintain the armed forces, conduct military operations, and deter attacks on the United States and its allies. It also pays about 80 percent of the nation’s intelligence bills.

The second category is homeland security—the defensive element.<sup>1</sup> This category includes law enforcement to track down terrorists and bring them to justice, border and aviation security, physical and cyber protection of critical facilities and systems, improvements to the public health infrastructure, and preparations to respond to and mitigate the consequences of attacks should they occur.

The third category is international affairs—the preventive element. International affairs includes the conduct of foreign affairs and diplomacy through the State Department, economic and military aid to foreign countries, contributions to international organizations like the United Nations, and foreign information and exchange programs.

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The Bush administration's national security strategy calls for bringing to bear all the tools of statecraft and security, including elements of offense, defense, and prevention. Of course, no simple formula can tell U.S. leaders how spending should be divided among the three categories. National security policy serves multiple objectives: protecting U.S. sovereignty and territorial integrity and sustaining a suitable level of relative power in the world, as well as keeping people and infrastructure safe from the threat of direct attack. To those ends, the United States needs a strong military, regardless of the terrorist threat. It also devoted efforts to homeland security even before the tragedy of September 11, 2001. Moreover, even if terrorism were not a problem, international diplomacy and aid programs would be crucial to sustaining national security.<sup>2</sup>

Achieving U.S. security objectives in the future will require continued substantial investment across all three categories. Nevertheless, U.S. resources for national security are not inexhaustible. Setting priorities and explicitly considering tradeoffs among the competing demands of offense, defense, and prevention are crucial for the nation to get the most out of its sizeable financial investment in security.

### National Security Spending Since 2001

Between 2001 and 2006, annual budget authority for national security (including operations in Iraq and Afghanistan) rose by 79 percent in nominal terms and more than 50 percent after adjusting for inflation (see Table 1). The national defense budget grew by about 50 percent in real terms. Homeland security experienced the largest percentage rise, nearly tripling in real terms. Much of that increase occurred within DoD, however, in part due to recent accounting changes; homeland security spending outside DoD grew by a factor of 2.5. International affairs budgets grew by nearly 40 percent in real terms.

Across the three categories, national security budgets for fiscal year 2006 come to \$630 billion, more in real terms than at any time in at least five decades. As in 2001, the lion's share goes to the offensive element. In 2006, the federal government will spend about 15 times as much for offense as for defense, and about 17 times as much for offense as for prevention. One possible reason for such disparities is that defense and prevention are inherently less expensive than offense. If that is the case, then modest investments in those areas should yield greater payoff than marginal added investments in offense.

### Much of the Rise is Unrelated to Terrorism

Unfortunately, much of the post-9/11 real increase in national security budgets goes not to make the United States safer from the threat of catastrophic terrorism, but to operations in Iraq and business as usual in the Department of Defense. Of the \$279 billion nominal

**TABLE 1. Budgets for National Security**

	Budget Authority (Billions of Current Dollars)		
	2001	2006 Estimate	2007 Request
<b>National Defense</b>	318	560	513
<b>Homeland Security</b>			
Total	17	55	58
Non-DoD	13	38	42
<b>International Affairs</b>	20	32	34
<b>Total</b>	<b>351</b>	<b>630</b>	<b>589</b>

Note: To avoid double-counting, totals include national defense, non-DoD homeland security, and international affairs.

Sources: Author's calculations based on Office of Management and Budget and Congressional Budget Office documents. 2001 figures exclude post-9/11 emergency supplemental appropriations. 2006 figures include administration's supplemental funding request of \$68 billion for DoD and \$4.3 billion for international affairs. 2007 figure includes \$50 billion for operations in Iraq and Afghanistan.

increase from 2001 to 2006, the largest single share—some \$98 billion—goes for military operations in Iraq.<sup>3</sup> The Bush administration argues that the war in Iraq is a necessary element of the fight against terrorism. Yet the existence of weapons of mass destruction or of pre-war links between Iraq and Al Qaeda have not been demonstrated, casting doubt on the importance of the war to countering terrorism.

More than \$50 billion of the budget rise goes to increased investment in military equipment. Unfortunately, much of that money is not for the exploration of new technologies that might help to counter today's threats, but for technically troubled missile defense systems and for ships, aircraft, and ground vehicles better suited to conventional combat. Some \$8 billion will go to replace equipment worn out by the wars in Iraq and Afghanistan. Budgets for science and technology—the basic and applied research and advanced technology work that could lead to systems better suited to the new strategic environment—barely kept pace with inflation.

A large share of the post-9/11 rise in DoD's budget is for military pay and benefits, which climbed by about \$40 billion during the five-year period. Unfortunately, much of this new compensation does not go to the men and women who are risking their lives in Iraq. Instead, it pays for new entitlements for military retirees—the 15 percent of service members who choose to stay in the military for the 20 or more years required to become eligible for military retirement benefits. As a result, much of the new spending doesn't improve the military's ability to compete as an employer in American labor markets—a crucial concern as the Iraq war drains the enthusiasm of young people and their parents for service.

About \$38 billion of the \$279 billion increase in annual spending is devoted to homeland security, the defensive component. A healthy share of that money, however, is for protection of facilities and forces inside DoD. The rise in homeland security spending outside DoD contributed just \$25 billion to the \$279 billion increase. Roughly \$10 billion of that rise goes to improvements in border and transportation security. Another \$4 billion goes toward emergency preparedness and response, much of it for grants to state and local governments to improve public health capacity or to prepare and equip local first responders. Only a few billion dollars of the increase go toward non-DoD research and development into technologies for homeland security.<sup>4</sup> In particular, just \$1.8 billion of the increase goes toward developing medical countermeasures to chemical, biological, nuclear, or radiological threats; a scant \$300 million pays for crucial research and development into technologies to detect and report on nuclear and radiological materials.<sup>5</sup>

Funding for international affairs, the preventive element, accounts for only \$12 billion of the \$279 billion increase in national security budgets between 2001 and 2006. Some \$2 billion of that is for President Bush's Global HIV/AIDS initiative. Another \$1.8 billion is for the Millennium Challenge Account, a program started by President Bush in 2002 to help certain developing nations improve their capacity for economic growth. Some \$1.8 billion, included in the President's emergency supplemental request this year, is to defray the wartime costs of the State

Department's embassy in Baghdad and the war-related costs of USAID in Iraq and Afghanistan. In addition, roughly \$2 billion of the new international affairs money goes to help U.S. allies in the fight against terrorism, including Afghanistan, Jordan, Pakistan, and the Central Asian Republics.

### Reallocating for Greater Security

Reallocating even relatively small amounts of the money devoted to offense could go a long way toward bolstering either prevention or defense. For example, for just half of the \$10.4 billion DoD plans to spend on missile defense programs in fiscal year 2007, the nation could triple spending for port security (planned at \$2 billion) and double spending to recapitalize the Coast Guard (planned at \$935 million).<sup>6</sup> For what DoD spends on Iraq each month (currently \$8.1 billion, according to the Congressional Research Service), the federal government could double planned FY 2007 spending for emergency preparedness and response (\$5.5 billion), nuclear detection (\$536 million), medical countermeasures to chemical, biological, radiological, and nuclear threats (\$2 billion), and enhancements to FEMA's alert and early warning systems (\$70 million).

Alternatively, for the \$2.8 billion the administration plans to invest in F-22 fighter planes built for dogfights with Soviet aircraft that were never produced, the nation could nearly double the administration's planned 2007 budget for Millennium Challenge. For the \$3.7 billion now allocated to the Army's technologically risky, increasingly costly Future Combat System, the nation could double foreign information and exchange activities (\$1.2 billion), double efforts to halt proliferation of nuclear materials and knowledge (\$1.2 billion), and still have money left over to improve resources for diplomacy (\$6 billion).

Today's spending for national security is about half again as great as before the terrorist attacks of 2001. The rapid infusion of such large sums offered an important opportunity to reshape the way the nation provides for security—an opportunity that was missed. Indeed, spending for offense, defense, and prevention are all substantially higher today than they were five years ago. But the lion's share of new money goes toward the war in Iraq and for Defense Department programs that reflect the needs of the Cold War rather than today's realities. Even small shifts of funding from offense into defense and prevention could go a long way toward making the nation more secure.

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#### article footnotes

1 Federal spending for homeland security is divided among numerous agencies, with the Department of Homeland Security receiving about one-half of the total funding. Unlike national defense and international affairs, homeland security is not tracked as a function in federal budgets. From 1999 to 2003, spending for homeland security and combating terrorism were tracked by the White House Office of Management and Budget (OMB) in an annual *Report to Congress on Combating Terrorism*. More recently, OMB reports homeland security funds in the budget's *Analytical Perspectives*. State and local governments and business firms play a role in homeland security; thus federal costs understate the total cost to the nation.

2 Cindy Williams, "Beyond Preemption and Preventive War: Increasing U.S. Budget Emphasis on Conflict Prevention" (Muscatine, Iowa: The Stanley Foundation, February 2006).

3 Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," Congressional Research Service Report RL33110, April 24, 2006, p. 10. The figure includes funding in the administration's 2006 supplemental request for activities paid for through DoD budgets to support Iraqi security forces, coalition partners, and reconstruction efforts in Iraq.

4 For 2003 to 2006 figures, see Genevieve J. Knezev, "Homeland Security Research and Development Funding, Organization, and Oversight," Congressional Research Service Report RS21270, updated February 24, 2005.

5 OMB, *Analytical Perspectives*, Federal Budget for FY 2007.

6 At today's rates of spending, the Coast Guard's program to replace aging aircraft, vessels, and support systems will take 20-25 years.



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