



shock and audit

We dissect the Pentagon's budget so you don't have to. by rachel morris

Somewhere in the middle regions of Barack Obama's Herculean to-do list is a task that's defeated many of his predecessors: taming the runaway \$534 billion Pentagon budget. (And that's only the official defense budget. Add in things like the supplemental spending on Iraq and Afghanistan, and the total is more like \$780 billion.) Earlier this year, Obama and Defense Secretary Robert Gates made headlines when they announced a major crackdown on DoD spending, including a promise to slash several troubled weapons programs. Cynics might point out that Washington pols have been making pledges like that since the Pentagon was created; yet with the economy in crisis and the deficit out of sight, Pentagon profligacy seems like the perfect budget-cutting target.

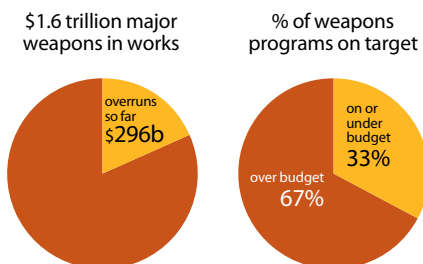
So where to start? In March, the Government Accountability Office calculated that existing major weapons commitments will ultimately cost \$1.6 trillion. A big chunk of that—\$296 billion, to be exact—is cost overruns that have already accumulated. That \$296 billion, for perspective, is more than the annual military budget of any other nation on the face of the Earth. China,

the world's second-biggest single defense spender after the United States and supposedly such an existential threat that it justifies our exorbitant weapons programs, spends less than a third of what the Pentagon wastes. Our overruns on these weapons to date exceed the entire GDPs of Norway (\$256 billion) and Israel (\$201 billion).

And if history is any guide, that \$296 billion will grow. On average, weapons systems cost 25 percent more than initial estimates, and overruns have risen at an average of nearly 2 percent a year. If that trend continues, the average overrun will reach 46 percent by 2018. Missed deadlines are also so: 72 percent of programs are delivered late.

None of this should come as a surprise when oversight of defense contractors has been perfunctory—or even turned over to other contractors. (See page 30.) Defense firms also ensure that as many congressional districts as possible are addicted to a steady diet of pork; Lockheed Martin claims its F-22 fighter jet—a dud targeted by Gates—has plants or vendors in 44 states. The industry has even stopped defending weapons programs on their merits, instead claiming that cuts would cripple the economy. Lockheed says that the F-22 is responsible for 95,000 jobs and \$12 billion in economic activity, but the real jobs figure is likely around half what Lockheed claims. What's more, a 2007 study based on Bureau of Economic Analysis data finds that other forms of public spending—health care, education, and mass transit—all create more jobs than military spending (right).

Fixing the DoD will take more than a few weapons cuts. But with the White House battling on multiple fronts—health care, global warming, the economy—the big question is how hard Obama will fight to bring real change to the Pentagon.



Source: Government Accountability Office

the best defense

A brief but sorry history of defense reform

President Obama and Defense Secretary Robert Gates have promised widespread reforms to smoke out waste and abuse at the Pentagon. Sounds fantastic—except that Washington has been churning out blue-ribbon commissions, special task forces, and tough new laws ever since the Pentagon was created.

1949: Landmark Hoover Commission exposes rampant waste at the Pentagon.

1961: President Dwight D. Eisenhower warns of growing might of the "military industrial complex" in last speech as commander in chief. (Aides talked him out of saying "military industrial congressional complex.")

1970: DoD bigwig David Packard and Fitzhugh Commission pledge to fix contracting process, offer groundbreaking suggestion to "fly before you buy." Armed Services establish testing offices to make sure that weapons they buy actually work; offices later found to be ineffective because industry was allowed to help design tests.

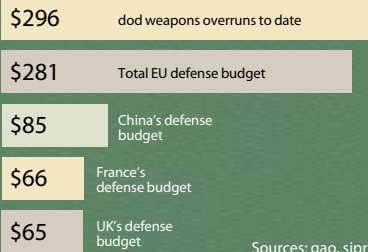
1980s: Congress requires competitive bidding, accurate cost assessments, and accounting oversight. Defense lobby spends next two decades watering down reforms.

1981: DoD No. 2 Frank Carlucci introduces 32 initiatives to produce more accurate price estimates and increase competition; fails.

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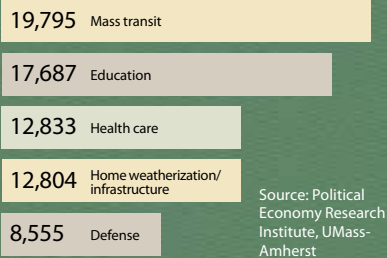
Battle of the Bulge

dod overruns vs. national defense budgets (in billions)



The GI Bill

Jobs provided by a billion in military spending vs. other public spending



With Friends Like These...

Why does Congress protect the F-22? Because 44 states provide parts or services.



the axis of pork

Capitol Hill's defense-reform killers



The Bomb Thrower

Sen. James Inhofe (R-Okla.)

Pet program: Will battle to the death for the partly Okie-built Future Combat Systems—the Army's gee-whiz plan to interlink all manner of weapons, vehicles, and robots—which Gates slated for cancellation.

✱ Has accused Obama of trying to “disarm America” in order to increase “welfares.”

The Stealth Fighter

Sen. Patty Murray (D-Wash.)

Pet program: Seattle-based Boeing makes the C-17, part of Future Combat Systems, and also constructs wings and fuselages for the F-22.

✱ Murray, the leading recipient of defense and aerospace donations this election cycle, is resisting change to the Pentagon's broken procurement process. She's already tried to pass legislation banning cuts that cause job losses—basically a poison pill for reform.

The Point Man

Sen. Saxby Chambliss (R-Ga.)

Pet program: The F-22 is assembled in Georgia. This Cold War-era plane was put into production before being fully tested; technical problems have caused costs to skyrocket to \$351 million, more than double original projections. This infamous golden turkey has never flown even a single combat mission.

✱ Chambliss may have finagled five deferments from the Vietnam War, but when it comes to legislative combat, he's in his element. The Georgia delegation is the most aggressive defender of the F-22, which Chambliss has brought back from the brink of cancellation before.

The Humanitarian

Sen. Barbara Boxer (D-Calif.)

Pet program: The C-17, a cargo plane assembled by 5,000 workers in Long Beach.

✱ For three years the Pentagon has said it doesn't need any more C-17s, which cost around \$266 million each. And for three years Boxer and the California delegation have insisted the government buy more. (She squares this with her anti-war résumé by arguing that they help humanitarian missions.) This year she helped secure eight more planes.

The Last Line of Defense

Sen. Daniel Inouye (D-Hawaii) and Rep. John Murtha (D-Penn.)

Pet programs: All of them. Inouye, known as “king of pork” and chair of the Senate Appropriations Committee, and Murtha, the House's top recipient of defense dollars, target of corruption probes, and earmaker extraordinaire, get Congress' last word on dod funding.

✱ Murtha, who often allots money for projects that the Pentagon has not requested, launched an annual contractors' fair dubbed “MurthaFest.”

The Cold Warrior

Sen. Joe Lieberman (I-Conn.)

Pet programs: The F-22, whose engines are constructed in Connecticut. Also missile defense, which is not constructed in Connecticut. Lieberman just likes it.

✱ Lieberman will be a canny opponent of even minor cuts to missile defense—even if it means risking his fragile détente with the president.



1982: Nunn-McCurdy Amendment orders termination of programs whose costs have grown by more than 25 percent over original estimates. However, Congress routinely makes exceptions at the secretary of defense's request. Today nearly half the dod's big weapons programs are in breach of the law.

1986: David Packard heads a new commission, discovers nothing has changed since Fitzhugh Commission 16 years earlier. After measures based on his recommendations to “streamline” acquisitions are introduced, cost overruns on Air Force and development contracts more than triple.

1990s: Series of innovative procurement “reforms” causes acquisitions staff at dod to be slashed by 50 percent by 2000; much of the work is outsourced.

2002: Defense Secretary Donald Rumsfeld strips away crucial oversight of missile defense program.

2003: The Army puts Future Combat Systems under “lead systems integrator” contract—meaning the firms that design and build systems also oversee contracting. fcs will go more than 60 percent over budget before being canceled in June.

april 2009: Gates says he'll stop outsourcing oversight and will add 20,000

acquisition staffers by 2015. Senators Carl Levin and John McCain then pass Weapon Systems Acquisition Reform Act of 2009—promising legislation shot full of holes before it reaches Obama's desk. Law establishes an office of independent cost assessment; interim director is ex-Raytheon lobbyist William Lynn, who strenuously opposed the office's creation.