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Public Policy and Management Issues in Budgeting for Defense*

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Budgeting for the federal government occupies an increasing amount of the time and energy of Congress and the executive branch. Within the political subsystem which produces the annual budget, budgeting for defense has become particularly time-consuming and contentious. This is not merely because the defense "function" currently has the second largest dollar amount of the 16 functions used in the Congressional budget resolution; nor is it simply because the defense appropriations bill currently accounts for more than half of all discretionary spending, that is, the funds which must receive annual review and approval by Congress.¹

It is also important because of the political values and symbols associated with national defense and military spending. Unlike other policy issues funded by government revenues, Congress must determine the framework for the budget and then authorize and appropriate the entire defense program every year. What is resolved after a season of bloody political combat at the end of every session of Congress is up for grabs again within months as another budget cycle begins each January.

The conflicts that characterize defense budgeting include national security strategy and tactics, force structure, arms control, burden-sharing, military intervention and a number of other policy-related issues. In addition, however, there is a persistent attempt on the part of some in Congress to change the way the Department of Defense (DoD) does its business. This aspect of the congressional defense budget process has focused on DoD acquisition and management practices, and it has a long, and to some a sorry, history.²

*This paper is a shortened and updated version of a manuscript delivered at the 11th Annual Research Conference of the Association for Public Policy & Management (APPAM) on 3 November 1989 in Washington, DC, in a panel entitled "Issues in Federal Budgeting", chaired by Robert W. Hartman, Associate Director, the Congressional Budget Office. The views expressed are solely those of the authors and do not represent the position of the US Navy or the Naval Postgraduate School.

Because so much of the Defense Department budget is tightly controlled by Congress, no discussion of budgeting for defense that ignores congressional preferences and the highly decentralized context of political party and committee competition that occurs in Congress can accurately describe the defense budget policy environment. Congress, unlike a bureaucracy, is a political institution, and as such is distinctly incapable of comprehensive and sustained oversight.³

The purpose of this paper is to augment previous research on defense resource allocation policy and the politics of the budgetary competition between the Defense Department and Congress. It relates important elements of the defense resource allocation environment and the competition between Congress and the executive branch to the broader issue of defense management control and efficiency. Policy context and political competition issues examined here include the size and complexity of the DoD, the absence of consensus on defense policy objectives, the absence of mission orientation in defense budgeting, DoD budgetary instability, congressional oversight, the inadequacy of the annual budgetary perspective of Congress, and the budgetary tactics adopted by DoD in response to congressional micromanagement.

The study suggests the advantages accruing to a longer-term financial management perspective in defense *resource* allocation, but concludes that the benefits of the *status quo* enjoyed by policy-makers and constituents within and outside government outweigh the arguments for reform of the budget process.

INSTITUTIONAL SCOPE AND COMPLEXITY

Analysis and criticism of defense budgeting begins with an acknowledgment and understanding of the task facing DoD in the development, negotiation and execution of its budget. The Defense Department is a complex and enormous organization, measured by any standard. Given the scope of its responsibilities and the fact that it spends almost \$275 billion annually, it is little wonder that instances of inefficiency, resource waste and abuse of the system are discovered by DoD and other auditors.

If it is assumed that at minimum, a 5% level of inefficiency and wastage will be expected to occur in even well-operated, large and complex public or private organizations, we might expect the Department of Defense to misallocate \$15 billion a year. Errors in procurement of weapon systems of the magnitude of one or several billion dollars, so alarming when reported by the media, do not seem so large from this perspective, particularly when it is understood that such systems typically are purchased over a multi-year period. It should also be noted that many independent reviews of government procurement give DoD high marks for cost control when compared with other government agencies.⁴

The magnitude and complexity of the defense budget neither explains nor excuses fraud by government officials or defense contractors. But fraud in defense procurement is less surprising if viewed within the context of the vast and remarkably complex DoD procurement system. DoD is responsible for purchases worth \$100 billion or more every year, with the consequent potential for large gains from illegal activity. To an industry-government network resembling the economies

of many countries must be added the problems associated with elected officials seeking to influence DoD activities to satisfy constituent interests. What looks like pork-barrel spending to the Department of Defense and critics of Congress is legitimate defense and economic development funding from the perspective of legislators sent to Washington to secure the national interest while simultaneously bringing home the military bacon.

Of course, some congressional and executive efforts purportedly aimed at improving efficiency and reducing waste are little more than well-disguised attempts to redistribute spending from defense to domestic programs or deficit reduction. Competition for budget share within the many organizations which make up the Department of Defense and among defense contractors and constituent interests in the private sector is fierce. Such is the nature of economic and political competition for defense and non-defense resources in a mixed capitalist-socialist economy in a democracy.

From this viewpoint, it can be argued that DoD ought to be given greater opportunity to make errors—more waste and abuse—as the price to be paid in the short-term to achieve long-term increases in efficiency.⁵ However, increasing DoD's discretion, which necessarily diminishes the scope of Congressional oversight, is not likely to be part of any successful reform effort, as it flies in the face of public resentment over allegations of Pentagon mismanagement.

DISAGREEMENT OVER DEFENSE RESOURCE ALLOCATION POLICY

Analysis of any system for managing defense resources must recognize the very political nature of the major purpose of the Department of Defense. Defining American national security and providing the necessary budget and management structure within a fragmented and competitive decision-making environment is inherently problematic. Consensus on the DoD mission and the policies to be pursued by the Services is defined by a series of negotiations on subsets of the defense budget lasting most of the year. Each set of talks involves a separate group of players both within and outside of Congress and there is no assurance that what is agreed to in one forum is not negated in another.

Disagreement over the ends of defense policy quite naturally gives rise to conflict over means. The activities of the executive and Congress during the past decade reflect both kinds of disputes. Members of Congress and other interested parties continually propose defense reforms, as has been the case throughout American history. Reformist proposals affecting defense may be differentiated by target, eg, political institutions and rules, behavior of elected and appointed officials, defense policy coordination, DoD organizational structure and efficacy, accountability of defense officials and professional management staff, military acquisition efficiency and ethics, military strategy, responsibilities of allies for funding the common defense and numerous others.⁶

Because budgeting for defense incorporates the disagreement over policy priorities present in US society as a whole, the debate to some extent reflects the anti-military sentiment within American political culture. Some acquisition reform proposals are not much more than attempts to cut defense funding, based upon the

premise that higher budgets for defense result in less rather than more security. Other critics of defense spending argue that national security should be defined in terms of foreign economic competition or domestic social welfare rather than external military threats.⁷ Supporters of domestic programs found a logical and sometimes easy target in the defense growth and domestic restraint budgets of the Reagan Administration.

On the other hand, defense supporters argue that a strong defense made possible by real growth in defense budgets minimizes the chances of conflict and maximizes US prospects should deterrence fail. This dimension of the debate colored defense budgeting in the 1980s, largely as a result of President Reagan's staunch support for expanding and modernizing the military force structure.

The election of George Bush was in part an endorsement of Reagan's strong support for defense spending. Nonetheless, the "Gramm-Rudman-Gorbachev" effect—the imperative of deficit reduction and the apparent diminution of Cold War military requirements—has pressured the Bush Administration into proposing significantly reduced defense budgets. In January 1990, Dick Cheney became the first peacetime Secretary of Defense to propose a defense budget that showed real—that is, adjusted for inflation—decline. The Administration's request for FY1991 defense spending would have resulted in real growth of minus 2% in that year and for each of the subsequent four years. At the budget summit negotiations which began in May, the Administration agreed to cut the defense force structure by 25% over five years. The Administration accepted the idea of paying for part of the FY1990 supplemental appropriations bill by cutting defense. This so-called "downpayment on the peace dividend" subtracted approximately two billion previously-appropriated dollars from DoD.

The Bush Administration also initiated a series of unilateral, incremental budget revisions in 1990 which took the form of major procurement program reviews. These reviews resulted in cutbacks in funding for the B-2 Stealth bomber, the ATA/ATF fighter, the A-12 bomber, the C-17 transport, the Seawolf/SSN 21 submarine program and the Arleigh Burke class destroyer/DDG 51 program. These budget revisions were estimated to reduce the FY1991 defense budget by a total of \$4.7 billion, with an additional savings of \$23.8 billion in the following years.⁸ The final FY1991 defense budget, negotiated at the budget summit and concluded after the Iraqi invasion of Kuwait on 2 August 1990, provided -8% real decline for defense. Spending for the following two years is also capped by the agreement reached at the budget summit, resulting in decline for FY1992 at -3% and for FY1993 at -4%.⁹

However, the summit agreement also stipulated that spending for Operation Desert Storm was to be provided by a separate supplemental appropriations bill which did not count against the caps on defense spending set for FYs1991-93. Actual spending for defense was subject to significant upward revision, based upon the costs incurred by the United States in the prosecution of the war against Iraq. The Congressional Budget Office estimated, prior to the outbreak of hostilities, that Desert Storm might cost \$17-\$35 billion for 1991 and \$28-\$86 billion total if all lost military hardware were to be replaced.¹⁰ These increased costs were

substantially offset by the contributions to the Gulf War made by American allies.

BUDGETING FOR DEFENSE BY MISSION AND PROGRAM

The partisanship and gaming characteristics of defense budgeting are made possible, if not encouraged, by the absence of a single and simple set of numbers logically connected to the purpose of the Department of Defense. The absence of a mission orientation for the DoD budget leads to piecemeal, fragmented and sometimes contradictory policy direction from Congress. Like beauty, the “logic” of the defense budget lies in the eyes of the many beholders who have opportunities to influence its final composition.

As it works its way from the Pentagon to the Office of Management and Budget and through the legislative process, the defense budget never appears in the same form twice. Decomposition of the budget into the vocabularies used by the many different players in the defense budget game produces a confusing array of words and numbers. The players most adept at dealing with the raw material of the defense budget—budget functions (defense is 050, the Department of Defense is 051), TOA (total obligational authority), BA (budget authority), outlays (both new and prior), program elements, service shares, major force programs, authorizations and appropriations—will find many opportunities to advance their position in this complex and dynamic environment.

Notwithstanding the many centrifugal forces which must be considered in defense budgeting, the coherence of the process would be significantly enhanced if DoD were to adopt a mission budget approach. The predicate for DoD mission budgeting is a realignment of responsibility, control and financial structures. These structures now include combinations of civilian and military authorities from the executive branch and DoD bureaucracies to the Congress. The structural misalignment argument asserts that there is inadequate fit and coordination and too much duplication among these structures and that the roles and responsibilities of the civilian and military components of the DoD are not clearly delineated.

It should be noted, however, that in authorizing the preparation and appropriation of a separate budget for Special Operations Forces (SOF) in 1988, Congress took an important step towards mission budgeting.¹¹ The DoD resisted separation of the SOF appropriation within the DoD budget, fearing loss of control and the likelihood of greater Congressional micromanagement of defense policy and management. In addition, the creation of the SOF command appeared to conflict with the longstanding role of the US Marine Corps and was consequently viewed by some critics as an unnecessary addition to the existing organization of US military forces.

The most recent mission budgeting initiative taken by the Congress occurred in 1990. Following a recommendation in a January 1990 DoD White Paper on relations between Congress and the Defense Department,¹² both the House and Senate Armed Services Committees discussed the mission budgeting concept and recommended action in their legislation for FY1991. The Committees required DoD to submit a budget built around “mission outputs” and “mission budget

formats” in addition to its traditional categories.¹³ The conference report on the final FY1991 defense authorization legislation incorporated these provisions by requiring that the defense budget submission is to be organized “on the basis of major roles and missions” beginning with the FY1993 budget.¹⁴

BUDGET INSTABILITY

Instability in the levels of funding provided to the DoD since the Second World War is another factor which must be addressed in examining defense budget strategies and management practices. Resource variability can significantly affect the behavior of organizations at both ends of the budget process, ie, as they formulate their request and in their response to the final appropriations level in the execution of their budget.

Instability in defense budgeting is only partly a consequence of changes in the perceived threat to American national security. It is also a function of the high economic and ideological stakes involved. The DoD budget is regarded by many members of Congress and the executive as offering opportunities to gain advantage for themselves and their constituents. Especially during peacetime, much of the defense budget is viewed as discretionary by many members of Congress and the general public. Consequently, some degree of pork-barrel spending in defense is inevitable. Where the defense program is significantly altered by Congress, DoD planning and management are disrupted.

Budgets for defense measured in nominal dollars have followed a boom-and-bust cycle, particularly since 1960.¹⁵ The defense build-up initiated by the Carter Administration and completed during the first Reagan Administration (1979–84) saw spending for defense increase 53% after adjusting for inflation. During the following five years, real defense spending declined by 13%.¹⁶ Measured in inflation-adjusted dollars, defense spending has reversed directions from real growth to real decline, or vice versa, 13 times over the past 40 years.¹⁷

Budgetary instability causes major problems for DoD in sponsorship of research and development, capital asset acquisition, maintenance of force structure and readiness, and more generally in responding to national security threats and crises. Budgetary planning and execution are also aggravated by an erratic congressional appropriation schedule. This budget environment may have encouraged DoD to adopt a strategy of budget maximization, ie, exploiting opportunities for increased spending when they arise, and resisting organizational and policy changes that threaten the resource base. Although such a strategy is not unique to the Department of Defense, Congress and the public do not find it an acceptable explanation for the actions of DoD officials attempting to sustain or enhance defense spending in peacetime.

CONGRESSIONAL OVERSIGHT: WHO WATCHES THE WATCHERS?

Congress itself has become a major contributor to the problems associated with defense budgeting. The shift from oversight to micromanagement is the result of a rapidly proliferating Congressional staff structure coupled with an increased interest in influencing all levels of defense policy-making. Congressionally-imposed

reporting requirements and program adjustments have increased dramatically in the past several decades.

The information demand from Congress has expanded as the number of committees, sub-committees, panels and other groups involved in defense budget review and oversight has grown substantially since the late 1960s. Each year DoD officials provide testimony and information to more than 80 separate committees in Congress, as well as the General Accounting Office (GAO), Inspectors General and other audit agencies.¹⁸

Many Congressional staffers have significant expertise and experience in examining the components of the defense budget. This has resulted in a seemingly endless stream of questions from committee staff to DoD about the detail of programs, projects and accounts. One or several active sub-committee staff members can develop a set of questions in a half-hour of brainstorming that triggers weeks or months of response work for DoD budget and program analysts and the staffs of the military departments and commands. And because of the complexity of the defense budget process, there are no fewer than 22 opportunities for votes on the defense budget every year, each of which can adjust either total dollars or funding for specific programs.¹⁹

Competition over defense budget priorities between congressional authorizers and appropriators results in significant budget execution problems for the Department. The most evident difficulty is when programs are appropriated money in specific line item detail but are denied authority to spend it. The opposite occurs where the authorization to spend for specific programs is provided but no money is voted by appropriation committees. DoD comptrollers are required to spend considerable time and effort after budgets are passed in negotiations with authorization and appropriation committee staff to resolve inconsistencies between legislation passed in the separate but highly related authorization and appropriation processes.

Competition between congressional committees and individual members explains in great measure why the federal budget is almost never enacted on schedule. Full-year appropriations for defense have been enacted on time—that is, prior to the start of the fiscal year—only four times in the last 40 years.²⁰

The increase in micromanagement characterizing contemporary defense budgeting owes much, but not everything, to traditional Congressional pork-barreling. It is also the consequence of the following phenomena:

- (a) erosion of defense committee dominance over policy and budget decision-making resulting from legislative rule and process changes adopted in 1970 and 1974;
- (b) expanded opportunities for floor and conference committee amendment of authorization and appropriation bills (what Lindsay refers to as the “outside game”²¹);
- (c) growth in the size and expertise of Congressional defense committee staffs and the Congressional Budget Office;
- (d) media publicity surrounding allegations and instances of DoD fraud, waste and abuse;
- (e) DoD “strategic misrepresentation” in the budget process;
- (f) DoD program management failures;

- (g) the unwillingness of Defense Secretaries and various service secretaries to compromise with Congressional decision-makers in negotiating defense budget priorities;
- (h) unprecedented pressure to reduce the federal deficit; and,
- (i) the increase in the defense share of federal spending while other discretionary spending programs were decreasing and the uncontrollable or non-discretionary trust fund and entitlement accounts grew dramatically.²²

The DoD has become expert in avoiding response to some questions from congressional staff and in negotiating with Congress to define the issues with highest response priority. It resists providing information that decreases its discretion in executing the budget. And, as is the case in other policy areas, there is always some degree of strategic representation present in gaming and information flow from the Department of Defense to the legislature, eg, underestimation of expenditures and program costs, overestimation of cost increase impact, padding of requests, or proposing cuts in popular or high demand programs.²³

This may occur, in part, as a consequence of the "chicken" aspect of defense budgeting. When the Administration revises its request for defense by reducing it, many in Congress can be expected to interpret such an initiative as evidence that even further cuts are possible. To prevent this ratcheting effect, the DoD can be expected to resist lowering its estimates of defense requirements, or, in anticipation of this phenomenon, to inflate its request.²⁴

INADEQUACY OF THE ANNUAL BUDGETARY PROCESS AND PERSPECTIVE

One of the outcomes of the highly detailed Congressional review of the defense budget is that changes made in the annual negotiation process are so numerous that they are very difficult to track, and their programmatic consequences are sometimes virtually unknown. Congressional budget review has become so extensive and intrusive as to raise legal questions regarding the possible violation of statutory law (eg, the 1921 Budget and Accounting Act) or the Constitutional provisions on separation of powers.²⁵

Highly detailed budget control reduces the time available to Congress for reviewing and determining overall defense policy and commitments. But many members of Congress assume that their constituents care more about armories than strategies, and constituent lobbying efforts reinforce this belief.

Confining congressional review to macro-policy and resource decision-making runs counter to competitive budget process incentives to provide constituent benefits that translate into support for re-election. Competition also helps explain why Congress is reluctant to scrap either the authorizing or appropriating committees for defense in favor of a single committee with responsibility for setting both policy and budgets. Neither the Armed Services Committees nor the Defense Appropriations Subcommittees are willing to relinquish their power over resource allocation decision-making.

While editorial writers, Congress watchers and academics criticize the delays and incoherence of the budget process, congressional and executive branch players in the game of defense budgeting are most concerned with winning and losing programs and dollars in the budget trenches. In this sense defense budgeting is a

microcosm of the general situation in which Congress finds itself since passage of the Budget Act in 1974. Critics have noted that the reforms initiated by that legislation have not materially enhanced congressional efficiency.²⁶

Many of the defense budget process problems outlined here result from routine forecasting limitations which confront most complex organizations. It is difficult, and at times impossible, for DoD budget executors to anticipate accurately the impact of price, volume, schedule and other changes that affect investment and operating accounts. Outlay (spending) rates used by DoD and Congress are only approximations. Consequently, it is often difficult to reach agreement on ratios of budget authority to outlays among congressional committees, the Congressional Budget Office (CBO), the DoD and the Office of Management and Budget (OMB). Here too, there are opportunities for gamesmanship, eg, backing into the rates needed to meet budget resolution outlay targets, or combining high budget authority numbers to satisfy supporters of defense with low outlay numbers designed to placate opponents of defense spending and to contribute to deficit reduction. Where spend-out rates are contrived for political purposes, they confound efficient budget execution.

The prolonged period of debate and negotiation on defense issues provides participants with the chance to recover losses or expand winnings obtained earlier in the budget game. The observation that Congress rarely makes final decisions on anything is particularly applicable to defense, as the decision points or openings into the defense budget are distributed annually between early Spring and congressional adjournment. This helps to explain resistance to multi-year budgeting for defense, a reform sought by the Office of the Secretary of Defense (OSD) for years and advocated by analysts inside the Department of Defense and outside of government.²⁷ Multi-year budgets would expand the time period between congressional spending decision points, thus diminishing opportunities to renew the struggle over resources among budget process participants.

Despite this and other potential political perils associated with multi-year budgeting, reformers in Congress continue to propose two-year budgeting for defense. Since 1977, 38 bills have been introduced to this effect,²⁸ and in 1985, Congress passed a defense authorization bill directing DoD to prepare and submit two-year budgets.²⁹

Although three such biennial requests have been submitted (FY1988–89, FY1990–91 and FY1992–93), congressional action on the second year of these two-year requests has been minimal. The Armed Services Committees have gone further than the Defense Appropriations Sub-committees, and the Senate has done better than the House. The Senate Armed Services Committee authorized 83% of the second year of DoD's budget request for FY1988–89. The corresponding figure for the House Armed Services Committee was 6%. In 1989, the Senate Armed Services Committee authorized 89% of the second year of DoD's FY1990–91 budget request, while the House Armed Services Committee approved 25%.³⁰

But in both cases, authorization of the second-year requests was made contingent upon similar action by the appropriations subcommittees for defense and neither House appropriated funds for the second year. Thus even the limited effort at

biennial budgeting for defense represented by the authorizing committees of Congress was mooted.

Not everyone agrees that two-year budgets for defense would be an unqualified improvement. Some DoD budget officials maintain that two-year budgets without a curtailment of congressional reporting requirements are worse than annual appropriations. This is because, in administering the two-year budget, some changes must be made by DoD officials due to projection error and normal uncertainty. When the Program Objective Memoranda (POM) are prepared and reviewed by the military departments and services in the programming cycle of Planning, Programing and Budgeting System (PPBS) to project force and related requirements for five years, this forecast is made 17 or more months before the fiscal year in which the POM requirements will be funded by Congress.

Final programming decisions are made by the Secretary of Defense and Defense Planning and Resources Board more than a year before the beginning of the fiscal year in which decisions are executed. The significance of the enormous time-lags involved is perhaps best illustrated by the fact that the Defense Guidance issued to the Services for use in developing the FY1992 defense budget scheduled for a February 1991 release, was finalized in October of 1989—just a month before the fall of the Berlin Wall.

Although the POM is updated in a two-year cycle and the budget funds only a portion of POM requirements, there is always the need to modify spending plans during budget execution. Thus it appears that more rather than fewer adjustments would have to be made in administering a budget established further in advance of actual spending.

If a two-year budget were actually appropriated by Congress containing the same constraints now written into the annual budget, and if DoD was required to request and report extensively on transfers and reprogramming between and within appropriations, the two-year budget would demand more work by the Defense Department than is required for the annual budget. The first experiment with a partial two-year budget for FY1988–89 confirmed this prediction.

Multi-year budgeting might result in increased efficiency if, as part of its implementation, Congress saw fit to increase the delegation of budget execution authority to DoD. OMB and OSD budget executives also would have to be persuaded to relinquish much of their annual *ex ante* budget control authority. The multi-year approach likely to be preferred by the DoD would have Congress provide a four-year budget framework with appropriations totals but without internal line-items or extensively restrictive language and reporting requirements.

It should be noted that Congress does approve some DoD appropriations on a multi-year basis. Large scale acquisition is budgeted on a three to five year basis and R&D and military construction are also multiple year appropriations. For example, following a practice known as “full funding” established in the 1950s, Congress provides all of the budget authority needed to procure aircraft, ships and major weapons systems in a single defense bill. The outlays derived from this authority, which can cover as much as five years, are provided in subsequent annual appropriations bills until the project is complete.³¹ By contrast, budget authority

and outlays for the operating and support accounts are single-year appropriations, because almost all of the budget authority is converted into outlays in the year for which it is provided. However, procurement appropriations seldom provide in advance all the funds needed to complete purchases over the period of program execution, and they rarely fund programs sufficiently ahead of schedule to permit DoD to execute its budget efficiently.

The DoD would be much more receptive to multi-year budgeting if it resulted in advance and forward funding or a larger portion of total procurement, construction, and research and development costs. Multi-year appropriations for the operating and support accounts now approved annually by Congress would also be welcomed.³² However, such reforms have been resisted, particularly in the House of Representatives.

Passage of the Gramm-Rudman-Hollings (GRH) deficit control act in 1985 and its reaffirmation in 1987 exacerbated the problem of budgetary discontinuity. By placing the emphasis on control of outlays rather than budget authority (appropriation), there is greater incentive for budget players to pursue budget authority to outlay ratios that will advance their own specific budget objectives.³³

Other problems exacerbated by GRH which affect budget scorekeeping and timeliness of appropriations arise when the threat of sequestration becomes politically apparent. The likelihood of a budget sequester, an outcome designed to be especially painful for defense, is a function of outlay projections. The deliberations on defense appropriations in 1989 illustrate the potential for increased uncertainty and partisanship when the stakes are high. As a result of CBO and DoD disagreement over FY1990 budget outlay estimates needed to determine compliance with the GRH deficit target, the final DoD budget request for FY1990 was revised in late October, three weeks *after* the beginning of that fiscal year, much to the chagrin of DoD officials.

This budget revision followed by more than a week the President's signature of the FY1990 GRH sequester order making across-the-board cuts in projected federal spending, half of which were directed at the DoD. At the time of this budget revision, both Houses of Congress had already passed defense appropriation bills and were preparing for conference committee action and the DoD was funded temporarily under a continuing resolution because Congress was unable to complete action on the FY1990 budget before the end of September.

DoD RESPONSIVENESS TO CONGRESSIONAL MICROMANAGEMENT

Many of the budgetary practices of DoD were subjected to harsh criticism in the 1980s. There is little doubt that the Department behaved as a budget maximizer to exploit the advantages of high budget priority during the early Reagan years.³⁴ Typically, government agencies take advantage of or defend themselves against the threat posed by changes in budget priorities during transitions between administrations and sessions of Congress.³⁵

However, a persistent criticism of DoD in Congress and the media is that, regardless of who is in the Oval Office, the Defense Department is indifferent to pressures for increased efficiency in the management of its resources. Repeatedly,

the DoD is assigned new and more rigorous control responsibilities under the apparent assumption that efficiency will result from new restrictions, increased oversight by Congress, and greater centralization of control in the OSD.

Some congressional control is directed at DoD budget formulation and justification practices, while other constraints are applied to "micromanage" the DoD's execution of the budget. Much of this latter type of control is targeted at the defense acquisition process. The most significant recent mandate for acquisition reform is the 1986 Goldwater-Nichols Act. This legislation made numerous changes in defense organization and budget execution, ranging from alteration of the structure and staffing of the Joint Chiefs of Staff to more discrete definition of fiscal and financial management responsibility and performance in OSD and the military departments. Military personnel end-strength was reduced and DoD acquisition controllership functions were reorganized. More recently, Secretary of Defense Cheney and the military departments initiated numerous organizational and procedural changes in 1989 to centralize procurement management in the DoD as part of a larger Defense Management Report.

The standards for DoD accountability set by Congress have increased since the period of the Vietnam War.³⁶ General Accounting Office and other government audits of defense programs have increased in the 1980s as compared to the previous decade.³⁷ Individual commands, installations and activities find themselves under perpetual audit, in some instances by several different auditing authorities simultaneously. Members of Congress do not appear to recognize that there are some practical limits to the efficiency of oversight and control. Information collection and control are costly. Further, many well-intended controls produce less rather than greater efficiency.³⁸

In some instances, more data are produced by the DoD or by the GAO in an attempt to evaluate efficiency than can be used by Congress. When faced with an external threat, organizations attempt to protect their core service production functions from interference. They do so to increase or maintain discretion over internal resource allocation and utilization decision-making, even though such protection is costly.³⁹ OSD, the military departments, and the uniformed services reflect this phenomenon by buffering the operating military commands to the greatest extent possible from influences external to the Department of Defense.

Former Secretary of Defense Frank Carlucci cited five reforms related to accountability which, in his view, would allow the DoD to improve its management practices: merger of congressional authorization and appropriation processes, reduction in the number of defense committees and subcommittees, prohibition of the attachment of individual spending measures ("riders") to omnibus appropriation acts through floor or conference committee action, implementation of a two-year budget, and multi-year funding of weapon system and other large-scale capital assets.⁴⁰ At the core of the DoD's criticism of congressional oversight is the view that no matter what the intent of Congress, the problems faced by the defense establishment cannot be solved through increased micromanagement. Most members of Congress and their staffs will never have the knowledge of program

execution that only comes from hands-on defense acquisition and management problem-solving.

The cost of using DoD staff time to respond to aggressive congressional oversight is loss of effort to improve the product and to resolve the same problems that Congress attempts to fix through intrusive and piecemeal micromanagement. DoD officials indicate that the visible costs of micromanagement are only part of the problem. The cost of micromanagement, measured in staff time used in the DoD, Congress, the GAO and the other agencies involved, may be greater than the money that Congress is attempting to save through oversight and review.⁴¹ From this perspective, even where micromanagement succeeds, it fails. Still, it must be recognized that much congressional oversight is related to protecting constituent benefits rather than promoting DoD efficiency.

CONCLUSIONS

The issues examined in this paper put in perspective many of the problems plaguing contemporary defense budgeting. Budgeting for defense must inevitably embrace the broad organizational scope and complexity of the Department of Defense and its political relationship to Congress. Most of the budget policy issues identified in this study will continue to confront if not confound executive and congressional policy-makers throughout the 1990s. Given the number of policy problems routinely encountered in budgeting for defense, it is surprising that resource allocation decisions are made as well as they are. Many defense budget problems cannot be easily "solved" due to institutional inertia and the multiple clearance problems associated with large, complex bureaucratic organizations.

In defense of Congress, some recent legislation from the Armed Service Committees has attempted to address major national defense policy and organizational issues. However, problems develop in the attempt to translate prescriptions for reform into budgeting and management practice. Some reforms are resisted by congressional budget-makers themselves, while others find resistance in the DoD. Certainly, the problem of micromanagement is not confined to Congress. Military department budget officials also complain about excessive oversight and control exercised by OSD. Similarly, pork-barrel politics exert extensive influence within the executive branch and the Pentagon.

Change in the budget process implies that institutions and incentive structures will be altered, and that these changes will produce winners and losers. Because the budget process as it presently operates satisfies so many diverse constituencies within and outside government, even marginal reform efforts have only a limited chance of gaining approval.

This does not mean that policy-makers are not concerned with defense efficiency or national security. Rather, it means only that their first objective is not likely to be greater efficiency or effectiveness. In this light, procedural changes in defense budgeting and management are unlikely to de-politicize defense resource allocation no matter what the direction or magnitude of the changes sought by reformers.

Where do demands for greater government efficiency or increased national security fit into the reformist motivational set? The evidence here suggests that

reform movements need patient and clever strategists as well as identifiable political beneficiaries, and that single-minded leadership in the politics of budgeting remains an essential commodity for reform.

NOTES

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