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Unaccountable: Pentagon Spending on the Post-9/11 Wars

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A descriptive essay on the costs to the Department of Defense (DOD) to prosecute the wars in Iraq and Afghanistan should be a simple and straightforward matter. It is not. Because the Pentagon and Congress have been sloppy, inept and misleading in how they have managed and accounted for appropriations, there are many uncertainties, unknowns, and biases that cloud the simple question: What is the Department of Defense's cost for the post-9/11 wars?

We have derived great benefit from the objective and professional analysis of the costs of the wars from organizations like the Congressional Research Service (CRS), the Government Accountability Office (GAO), and the Congressional Budget Office (CBO). However, the work of these institutions to estimate the costs rests on a foundation of quicksand, and they do not address some very large indirect Defense Department costs that should be attributed to the wars. I say so not to criticize the excellent work that has been done by others, but even after their analyses, many issues remain.

For years, the Congressional Research Service has been assiduously tracking Congressional appropriations for the wars. According to these periodic reports, more than \$1 trillion has been appropriated for U.S. government operations in Iraq, Afghanistan, and several other countries—the US government activities that comprise what are called here the post-9/11 wars. Specifically, the operations covered include Operation Enduring Freedom (OEF), which consists of activities and programs in Afghanistan, Pakistan, the Philippines, Djibouti and other—unspecified—countries; Operation Iraqi Freedom (OIF), which essentially covers the war in Iraq and support operations in Kuwait and the Persian Gulf (renamed New Dawn in 2010), and Operation Noble Eagle (ONE), which includes US military activities in the US right after the 9/11 attacks and some modest costs since then. The various estimates include certain US operations in associated countries, such as Pakistan and Yemen; however, the specifics are classified and or subsumed in broader accounts with generic names, like “Coalition Support.” The classified operations in the various wars are estimated by CRS to be \$52 billion up through 2010.¹

Thanks to the work of CRS, we have the costs of the wars sliced and diced several different ways, many war-related cost issues are explored, and the work of other agencies, such as CBO, is summarized. The CRS reports make excellent and informative reading.²

The CRS reporting shows a 2001 to 2011 cost for the wars to all federal agencies at \$1,283.3 billion. Of that, \$1,208.2 billion was appropriated to the Department of Defense. The year by year breakdown for DOD appropriations is as follows:

Table 1: DOD Appropriations for Post-9/11 wars, Total and by Area of Operation (By fiscal year, budget authority, all dollars are in billions of “current year” dollars)³

	2001 + 2002 ⁴	2003	2004	2005	2006	2007	2008	2009	2010	2011 est. ⁵	Total
Iraq (OIF)	0	50.0	56.4	83.4	98.1	127.2	138.5	92.0	66.5	45.7	757.8
Afghanistan (OEF)	20.0	14.0	12.4	17.2	17.9	37.2	40.6	56.1	87.7	113.3	416.2
Noble Eagle (ONE)	13.0	8.0	3.7	2.1	0.8	0.5	0.1	0.1	0.1	0.1	28.6
Unallocated ⁶	0	5.5	0	0	0	0	0	0	0	0	5.5
Total	33.0	77.4	72.4	102.6	116.8	164.9	179.2	148.3	154.3	159.1	1,208.1

For the years 2011 to 2020, the Congressional Budget Office has made projections of future costs, ranging from \$274 billion to \$588 billion;⁷ however, they are based largely on different scenarios of the number of the troops deployed, and while such a model for determining costs may seem logical, CRS found that numbers of troops deployed were not the major driver of costs. CBO’s projections, while reasonably based, have also not been accurate in the past.⁸ Future developments in the wars in Iraq and Afghanistan and war-related bureaucratic decisions in the Pentagon (and, thus, the costs) have proven themselves to be extremely difficult to predict accurately; compiling any medium to long range projections for future DOD war costs requires command of too many unknowable variables to be relied upon for useful insights into future costs. If there is one thing we know from war, and especially the wars in Iraq and Afghanistan, future developments are impossible to accurately foresee, and future cost projections can present the danger of encouraging us to rely on a specific vision of the future that, while clearly and perhaps even reasonably calculated, will very likely be entirely wrong.⁹ Making contemporary judgments based on flawed and even misleading projections into the future is an easy prescription for disaster: if there is a single lesson from the wars in Iraq and Afghanistan, it is surely that.

As to costs up to now, one might readily conclude that the cost to the Department of Defense for its operations in Iraq, Afghanistan, and elsewhere for the years 2001 to 2011 is the \$1,208.1 billion cited above from CRS’ work. That would be a mistake; that assertion would ignore several important problems in the existing data, including:

1. the unaccountable nature of DOD expenditures,
2. biases in DOD’s cost estimates and how DOD adjusts for inflation,
3. problems in how DOD and Congress have allocated costs for the wars, and
4. the matter of what reasonably can be counted as indirect costs of the wars, not counted by DOD, Congress, or even CRS, GAO or CBO.

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1. The Pentagon's Unaccountability: As GAO and DOD's Office of the Inspector General (DOD OIG) have reported for decades, the Pentagon cannot track the money it spends. Routinely, DOD does not know if it has paid contractors in the US or abroad once, twice, or not at all. We recently learned it does not even know how many contractors it has, how many they employ, and what they are doing. Google the terms "audit" and "Pentagon" and read the horrific articles and reports.

The DOD OIG's "Summary of DOD Office of the Inspector General Audits of Financial Management" for fiscal year 2009,¹⁰ made available in 2010, articulates the problems:

- The financial management systems DOD has put in place to control and monitor expenditures do not facilitate but actually "prevent DOD from collecting and reporting financial information ... that is accurate, reliable, and timely."¹¹
- DOD frequently enters "unsupported" (i.e. imaginary) amounts in its books¹² and uses those figures to make the books balance.¹³ Inventory records are not reviewed and adjusted; unreliable and inaccurate data are used to report inventories, and purchases are made based on those distorted inventory reports.¹⁴
- DOD managers do not know how much money is in their accounts at the Treasury, nor when they spend more than Congress appropriates to them.¹⁵ Nor does DOD "record, report, collect, and reconcile" funds received from other agencies or the public,¹⁶ and DOD tracks neither buyer nor seller amounts when conducting transactions with other agencies.¹⁷
- "The cost and depreciation of the DOD general property, plant, and equipment are not reliably reported ..."¹⁸; "...the value of DOD property and material in the possession of contractors is not reliably reported."¹⁹
- DOD does not know who owes it money, nor how much.²⁰

In sum, DOD's "internal controls," intended to track the money, are inoperative. DOD cost reports and financial statements are inaccurate and unreliable. The size, even the direction (in plus or minus values), of the errors are unknown.

The National Defense Authorization Act for 2010 enacted a Section 1003 ("Audit Readiness of Financial Statements of the Department of Defense") to implement a plan to start to address these problems, but the plan does not even begin to go into effect until 2017,²¹ and the DOD Comptroller, the Department's CFO, has let it be known that he is unsure he can meet that deadline. It is as if the accountability clause of the US Constitution were unknown to the Pentagon or that the Pentagon considers itself exempt.

What's the point in the context of understanding the Pentagon's costs for the wars in Iraq and Afghanistan? We may have a reliable estimate from CRS for what has been appropriated to the Department for the wars, but we do not know what the Department

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has spent. Neither does the Department. Whether the money actually spent (outlays) for the wars are larger or smaller than the amounts appropriated is unknown, and we do not know if the money has been spent as intended and authorized by Congress, or instead spent on other operations. We also do not know how much of the money actually spent for DOD operations as intended is squandered through incompetent implementation and oversight—and therefore has been excessive. We do not even know whether such problems are huge or tiny. We will not know until some date after the year 2017, if then.

2. Biased and Unreliable Cost Estimates: When they cite Department of Defense numbers for past, present, and future expenditures, DOD officials are often articulating little more than guesses, some of them extremely biased. One need hardly remind that the original estimates from the George W. Bush Administration for the cost of the war in Iraq varied from self-financing to \$50 billion to as high as \$100 to \$200 billion at the absolute top of the scale.²²

Observers today should be very wary of any sanctimoniousness regarding the shamelessly politically driven Bush Administration predictions. Since then, our government system has done absolutely nothing to improve its ability to estimate costs – past, present, or future.

In its requests for appropriations for the wars, the Defense Department is insufficiently informative about specifically how and even where it intends to use the funds; sometimes not even Iraq or Afghanistan is specified. We know the broader patterns of the appropriations for operations in those countries—such as the numbers displayed in Table 1—only because of the hard work of organizations like the CRS and the author of its war costs reports, who had to dig into DOD’s problematic financial reports to sort out the broader patterns of how DOD estimates it has spent the money appropriated to it.

However, the value of the hard earned lessons of those CRS cost reports is very likely to evaporate as soon as we face some new proposal where those with a vested interest give us their very affordable budget for some enterprise. For example, with the Defense Department now facing bipartisan recommendations to live within a smaller budget, some of proposals to save money in the future may be as unreliable as the ones to spend it from the past. Sometimes the advocates will not be aware of the biases in their numbers; sometimes they are. Even when using numbers from reputable agencies, one must be extremely careful; many are not.

For example, in November 2010, the highly prestigious President’s Commission on Fiscal Responsibility and Reform, appointed by President Obama to recommend proposals to control federal spending, released a set of “Illustrative Savings.” The document included an item #47 asserting \$17.5 billion could be saved from 2012 to 2015 by canceling the Marine Corps version of the Joint Strike Fighter, the F-35B.²³ The savings estimate tracked with what the Navy had programmed to pay for the F-35B from 2012 to 2015, but there appears to have been no subtraction for certain offsets: these would include termination costs to the government to close out the Marines’ portion of F-35 contracts, higher unit costs for the F-35A and C for the Air Force and Navy due to a

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smaller production base, costs to retain existing Marine Corps aircraft in its inventory and extend their service life, and/or to buy other aircraft to modernize the Marines' aircraft inventory and to fulfill their role on conventional Navy aircraft carriers. Some of these offsets were included in a different savings calculation offered by the Commission (to reduce, but not terminate, the production of the Air Force F-35A and the Navy F-35C). Thus, it is even more unexplainable why the offsets were not identified and subtracted for the termination of the Marines' F-35B.

Such problems clearly apply to costs calculated for the wars. For example, CRS counts as much as \$172 appropriated through 2011 for "reset"—to reconstitute units returning from deployments and to repair or replace their damaged or worn out equipment.²⁴ However, as CRS very correctly points out, DOD management decisions to change the definition of "reset" had significant impacts on the declared estimates for reset—and, as a result, for the costs of the wars.

Until 2006, the definition for what qualified as a "reset" cost and that could be charged to the appropriation accounts that funded the wars was somewhat restrictive. CRS points out that in 2006, Deputy Secretary of Defense Gordon England redefined what could be called "reset." The criteria were dramatically loosened. As a result, CRS found the subsequent supplemental war funding request sought "an additional \$14 billion for reset," and requests following it appeared to "front load" reset requests (seeking more money than could be readily justified in a single year), even when previous appropriations had not been fully used.²⁵

Subsequent to the Bush administration's expansion of the definition of reset, the Obama administration re-imposed stricter guidance in 2009. Subsequent to that change, war-driven procurement levels dropped from \$61.5 billion in 2008 to \$32.0 billion in 2009, to \$27.5 billion in 2010 and to \$21.4 billion in the 2011 request.²⁶ By simply changing the criteria for reset funding, an administration can lower or raise the declared costs of the wars. CRS did not attempt to adjust its war cost estimate to account for the shifting definitions of reset; to do so would very probably have caused serious consternation in Congress, which like DOD, has enjoyed playing games with the accounts that support the wars, as is discussed below.

Another source of uncertainty, rather bias, in DOD cost data for the wars is how the Department accounts for inflation. Unlike most other federal agencies, the Defense Department routinely reports its past, present, and future budgets in two types of dollars: "current" (or "nominal") dollars and "constant" dollars.²⁷

The "current," or "nominal," variety is the dollars actually appropriated in any given fiscal year; their value or purchasing power is contemporaneous.²⁸ "Constant" dollars are normalized to the value the dollar has in a specific year.

For example, just before the Korean War started in 1950, \$14.1 billion was appropriated by Congress for all DOD expenses. Those dollars are expressed in the "current" or "nominal" variety. According to the bible of DOD budget analysts, the so-called "Green

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Book,” that \$14.1 billion dollar appropriation has a value in today’s dollars that is a far higher number because of inflation. The 2011 “constant” dollar value of the 1950 appropriation is \$187.9 billion.²⁹

The constant dollar valuation of defense budgets seemingly permits an apples to apples comparison of defense budgets over time. Thus, for example, we can see in the Green Book that annual spending in this decade for the Pentagon has a value higher than at any previous period since the end of World War II, even if the effects of inflation on the value of the dollar are removed.

To better understand spending for the last ten years for the post-9/11 wars, it could be useful to express the costs in both types of dollars. Thus, we can see what was actually been appropriated in each year as well as how the value of that appropriation compares across the time period in question.

The CRS data shown in Table 1 above is expressed in “current” dollars. Using DOD tables to convert those dollars to “constant” dollars normalized to 2011 results in a meaningful change in the numbers involved.³⁰ It should give the reader a better appreciation for the costs in today’s dollars.

Table 2: Total DOD Appropriations for Post-9/11 wars in Both “Current” and “Constant” 2011 Dollars (By fiscal year, budget authority, \$billions of dollars)

	2001 + 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 est.	Total
DOD Total in “Current” Dollars	33.0	77.4	72.4	102.6	116.8	164.9	179.2	148.3	154.3	159.1	1,208.1
DOD Total in “Constant” 2011 Dollars	42.8 ³¹	96.6	87.4	118.7	130.8	179.4	188.4	153.4	156.4	159.1	1,313.0
Difference	9.8	19.2	15.0	16.1	14.0	14.2	9.2	5.1	2.1	0	104.9

Even in the DOD budget world where costs are discussed in the tens, even hundreds, of billions, the \$105 billion identified in Table 2 is a meaningful amount. In 2011 dollars, the 2001-2011 cost of the wars is not \$1.2 trillion; it is \$1.3 trillion.

If we were to discount the uncertainties discussed above, the \$1,313 billion would be an accurate calculation of the contemporaneous expense of the post-9/11 wars—but for one thing. The formulas used to calculate the “constant” 2011 value of the “current” dollars present a problem. Those formulas are based on the strangely unique inflation

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assumptions that the Defense Department makes for itself and no one else. The multipliers used in the constant dollar calculations in Table 2 are the special deflators that DOD lists in the Green Book for itself. Those deflators are quite different from the deflators used by OMB and other agencies to make constant dollar calculations.³²

The typical, government-wide, formulas that most agencies use are Gross Domestic Product (GDP) deflators (even though some economic analysis seriously challenges the validity of even those deflators as well);³³ they are quite different from those DOD employs for itself.³⁴ For example, the \$77.4 billion shown for 2003 “current” dollar costs translates to \$96.6 billion using the DOD-unique 2011 index-deflator (80.10), but using the GDP deflator for 2011 dollars (83.74), we get \$92.4 billion; a \$4.2 billion difference. If we calculate the difference throughout 2001-2011 for the DOD cost of the wars, we see the results in Table 3.

Table 3: Total DOD Appropriations for Post-9/11 wars in Both “Current” and “Constant” 2011 Dollars Calculated Using Both DOD-Unique and GDP Deflators (By fiscal year, budget authority, \$billions of dollars)

	2001 + 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 est.	Total
DOD Total in “Current” Dollars	33.0	77.4	72.4	102.6	116.8	164.9	179.2	148.3	154.3	159.1	1,208.1
DOD Total “Constant” 2011 Dollars per DOD Deflators	42.8	96.6	87.4	118.7	130.8	179.4	188.4	153.4	156.4	159.1	1,313.0
DOD Total “Constant” 2011 Dollars per GDP Deflators	40.5	92.4	84.3	115.7	127.3	174.7	185.5	151.3	156.0	159.1	1,286.9
Difference between DOD and GDP Deflators	2.1	4.2	3.1	3.0	3.5	4.7	2.9	2.1	0.4	0	26.1

The difference between the values of the two deflators (\$26.3 billion) is small relative to the overall calculation; it does not alter the total from rounding to \$1.3 trillion. However, the difference does add another uncertainty to the overall calculation.

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Had the wars in Iraq and Afghanistan been 20 years old, rather than ten, the differences noted here between the DOD-unique and government-wide deflators would be significantly greater: the further one goes back in time, the bigger the differences between the two deflators become.

While here we can attribute a specific value to the unreliable nature of DOD spending figures, in the categories discussed above and below, we cannot. That the uncertainties come in the tens of billions when they can be quantified and plausibly also in the tens of billions, or more, when they cannot, we can begin to speculate that the “known” costs of the wars in Iraq, Afghanistan and elsewhere are not nearly as well known as we would like to think.

(Moreover, the deeper one looks into the DOD-unique deflators, the more dubious they become. Both GAO and the Congressional Military Reform Caucus found DOD’s unique calculations for its own inflation to be unsupportable in a budget scandal in the mid-1980s.³⁵ The more you inspect the actual spending in the DOD budget, the more you realize it is for prosaic expenses (pay, fuel, housing, healthcare, and industrial materials) that cannot reasonably be expected to have significantly different rates of inflation from the rest of the economy. Unfortunately, however, after the unique and unjustifiable nature of DOD’s deflators was revealed, the Pentagon never stopped applying them in its budget history documents. The DOD-unique deflators have the effect of masking cost growth in DOD programs as inflation, which would seem to be the intended effect. Also, the DOD-unique deflators make past DOD spending appear higher than the GDP deflator, and, therefore, current DOD spending appears to be less of an increase; this, in turn, makes contemporary budgets easier to justify to Congress and the public.)

3. Other Expenses Dubiously Counted as War Costs: Beyond controversial reset definitions discussed above, potentially inappropriate proposals for war-related spending have occurred. For example, CBO (and CRS) found that more than 40% of the Army’s spending for reset had nothing to do with reset and instead were to upgrade weapons, eliminate longstanding inventory shortfalls, reorganize ground units (in a long standing program called “Modularization”), and replenish stocks of “pre-positioned” equipment for other contingencies.³⁶

Congress went along with this behavior and expanded on it. This author found that some spending programs requested by the Pentagon in the non-war (“base”) parts of the DOD budget were shifted by the Armed Services and Appropriations Committees in the House and Senate to the special “Title X” sections of defense authorization and Appropriations bills that comprised the war spending sections of the legislation. Those Title X funds were counted in a separate budget category for the purposes of enforcing the discretionary spending “caps” on the base budget parts of defense spending: the shifting of funds to Title X had the effect of freeing up “base” budget money to be used for congressional earmarks.³⁷ In addition, Congress has from time to time added C-17 transport aircraft and other programs to “emergency supplementals” for Iraq and

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Afghanistan, thereby exploiting the politically favored war spending bills to fund defense equipment that was not requested by DOD.

There is also the issue of war-related spending in the non-war (base) parts of the defense budget. In 2010, some costs to expand the size of the Army and Marine Corps, including recruiting, were included in the base budget, even though the reason for the costs was clearly the wars. Some equipment being developed in response to requirements for Iraq and Afghanistan have been paid for in the base budget; for example, the more than \$400 million obligated to develop Gorgon Stare surveillance pods for Reaper MQ-9 drones and related imagery systems that the Air Force has been attempting to rush to Afghanistan.

While this author has monitored the reports of organizations like CRS, GAO, and CBO, he is unaware of any comprehensive attempt to scour all eleven years of appropriations for the wars for items that may be inappropriately included in war funding measures and—conversely—to cull from the “base” budget items that should be included in war funding measures. Doing so would require a major analytical effort by numerous auditors with access to all the DOD records, which, of course, are highly problematic. A re-estimate of the actual cost of the wars—rectified in this manner—does not exist and would require a major analytical effort that has not been requested of any of the congressional agencies. It would be a massive effort, but it is clearly needed.

4. Are There Major Indirect Costs that Should Count as War Costs? Let us assume for the sake of further analysis that we can work with the Pentagon’s estimates of its own spending. Doing so leads to the possibility that the full cost of the post-9/11 wars can be calculated as significantly larger than anything the Pentagon, CBO, CRS, or many others have told us.

Since 2001, Congress and presidents have funded the Pentagon for all costs with \$6.5 trillion out to the year 2011. Of that amount, \$1.3 trillion was appropriated for the wars in Iraq, Afghanistan, and elsewhere. Thus, the rest of the Pentagon budget (the base budget) is \$5.2 trillion. See Table 4. (Based on the assumption stated above, DOD’s deflators are used to convert to 2011 dollars.)

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Table 4: DOD Total, War, and Base Budgets, 2001-2011 (By fiscal year, budget authority, \$billions of dollars, Constant 2011 Dollars using DOD Deflators)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 est. ³⁸	Total
Total DOD Budget	407.3	442.1	541.2	563.7	556.3	596.8	652.1	708.5	689.8	705.3	688.6	6551.7
Wars Spending	21.7	21.1	96.6	87.4	118.7	130.8	179.4	188.4	153.4	156.4	159.1	1,313.0
Base DOD Budget	385.6	421.0	444.6	476.3	437.6	466.0	472.7	520.1	536.4	548.9	529.5	5,238.7

Using the budget plans put together just before the 9/11 attacks as a baseline, we can assess if there is a relationship between the wars and the growth in the Pentagon base budget from \$385.6 billion in 2001 to \$529.5 billion in 2011.

Before September 11, 2001, the multi-year defense budget planned by the George W. Bush Administration is a confused issue. The 2002 Green Book, published in August 2001, failed to show any future Pentagon spending figures at all.³⁹ However, the 2002 OMB budget materials, from February 2001, did.⁴⁰ These data, converted to 2011 DOD dollars to show any real growth in the multi-year plan articulated by the President, DOD and OMB, are displayed in Table 5.⁴¹ Note how they compare to the last full year of the Clinton administration: 2000.

Table 5: George W. Bush Administration OMB 2002 – 2006 Plan for the DOD Budget, Plus the Years 2000 – 2001 (By fiscal year, budget authority, \$billions of dollars, Constant 2011 Dollars using DOD Deflators)⁴²

	2000	2001	2002	2003	2004	2005	2006
2002 DOD Budget Plan	393.1	387.8	395.1	397.7	394.8	389.3	386.9
Increase Compared to 2000	---	-5.3	+2.0	+4.6	+1.7	-3.8	-6.2
Rate of Growth (%) Compared to 2000	---	-1.3	+0.5	+1.2	+0.4	-1.0	-1.6

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There is more decline from 2000 in the long range Bush defense plan than growth; the growth rate comparisons to the 2000 Clinton Administration DOD budget average to a growth rate of minus 0.3 percent; the plan ends at a lower level than it had in 2000; overall the plan spends \$7 billion less than would have been the case had the 2000 amount (\$393.1 billion) been held constant throughout the 2001-2006 period. Clearly, increased defense spending was not a priority in the pre-9/11 Bush administration.

However, on June 27, 2001, President George W. Bush sent a budget amendment for 2002 to Congress seeking a \$23.5 billion (2011\$) increase for DOD over the amount initially requested for 2002; thus, making it a total of \$418.6 billion in 2011 dollars.⁴³ No data for any future years were presented—an absence of future plans for growth that the 2002 Green Book, published that August, reinforced.

Given this evidence of the disinterest of the Bush administration for real growth in the defense budget beyond 2002, it is reasonable to assume that the revised 2002 request level was to be generally maintained, with inflation, for the then-foreseeable future. We use this assumption, notwithstanding the text of President Bush's letter of transmittal to Congress asserting that his plan would "ultimately save billions,"⁴⁴ and the apparently still operative presidential plan from February envisioning a modest decline.

Moreover, the political consensus at the time was clearly on other budget priorities. As a Senate staff person at the time, with the Republican staff of the Senate Budget Committee (as its Senior Analyst for National Defense), this author can testify to the political atmosphere before September 11, 2001: tax cuts and other domestic issues were the political priority, not the defense budget. It is not even clear in the political atmosphere that predominated before 9/11 whether the political consensus would have supported real growth in the defense budget.

And yet, after September 11, 2001 the base DOD budget grew dramatically. The growth extended out to 2011, and beyond and was considerably larger, each year than the \$418.6 billion baseline identified above. The amounts are shown in Table 6 in constant 2011 dollars – in order to remain consistent with the analysis above and to keep the values across years apparent, rather than confused by inflation.

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Table 6: DOD Base Budget Growth over Adjusted 2001 Baseline, 2001-2011 (By fiscal year, budget authority, \$billions of dollars, Constant 2011 Dollars using DOD Deflators)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 est.	Total
Base DOD Budget	385.6	421.0	444.6	476.3	437.6	466.0	472.7	520.1	536.4	548.9	529.5	5,238.7
2001/2002 Amended DOD Budget Baseline	385.6	418.6	418.6	418.6	418.6	418.6	418.6	418.6	418.6	418.6	418.6	4,571.6
Amount of Increase over 2001	---	2.4	26.0	57.7	19.0	47.4	54.1	101.5	117.8	130.3	110.9	667.1

This calculation can also be made in current dollars; see table 7 below:

Table 7: DOD Base Budget Growth over Adjusted 2001 Baseline, 2001-2011 (By fiscal year, budget authority, \$billions of dollars, Current Dollars, using DOD Deflators to calculate baseline inflation-only growth)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Base DOD Budget Calculation in Current Dollars	309.9 <u>-16.5</u> 293.4	345.6 <u>-16.5</u> 329.1	437.8 <u>-77.4</u> 360.4	471.0 <u>-72.4</u> 398.6	483.9 <u>-102.6</u> 380.7	536.5 <u>-116.8</u> 419.7	602.2 <u>-164.9</u> 437.3	673.5 <u>-179.2</u> 494.3	664.5 <u>-148.3</u> 516.2	695.7 <u>-154.3</u> 541.4	688.6 <u>-159.1</u> 529.6	4700.7
2001/2002 Amended DOD Budget Baseline using DOD BA deflators	293.4	328.9 ⁴⁵	340.4 ⁴⁶	351.6	366.1	378.1	388.4	399.6	404.8	413.3	419.9	
Amount of Growth over 2001/02 baseline	---	0.2	20.0	47.0	14.6	41.6	48.9	94.7	111.4	128.1	109.7	616.2

Thus, the DOD base budget grew over the pre-war 2001 plan by either \$667.1 billion in 2011 dollars or \$616.2 billion in current dollars over the 2002-2011 period. Given that the budget plans extant and decipherable in 2001—just before September 11—excluded real growth and given the very changed political environment surrounding defense spending after September 11 (i.e. to “support the troops” in Afghanistan after US operations started there and in Iraq after the 2003 operations started there), it is

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reasonable to credit the \$667 billion (or \$617 billion in current dollars) as a consequence of the wars and, therefore, an indirect cost of them.

The political popularity of “support the troops” was not limited to the funding for the wars; it was generalized to the entire defense budget, and efforts then to reduce the base budget, or even to hold it steady, ran into arguments much like those of Congressman Buck McKeon, R – Calif., today (the Chairman of the House Armed Services Committee) that it is unthinkable to refuse growth to the defense budget while we are “at war.” Expanding the base defense budget was seen as “pro-defense” and highly politically desirable “in a time of war.” Having worked on Capitol Hill for more than 30 years and having closely observed its political behavior surrounding the defense budget, this author believes the \$600 billion-plus “add-on” for the base Pentagon budget was a clear effect of the wars and can be attributed to the wars as an indirect cost.

The total, accountable cost of the wars should be stated to have been not \$1.313 trillion in 2011 dollars, but \$1.980 trillion (\$1.313 trillion + \$0.667 trillion). (The current dollar calculation is not \$1.208 trillion, but \$1.824 trillion.)

How that additional money was spent enlightens us further about the Pentagon’s accountability problem and makes more powerful the statement that this additional spending was a “cost.” It would not be inappropriate to characterize the money to have been squandered.

During the 2001-2011 period, the Navy budget received substantially more than what was contemplated in 2000. Yet the size of the Navy’s combat fleet went down from 316 ships and submarines to 287, a decline of 10 percent. This is not a smaller, newer fleet; it is a smaller, older fleet—about four years older, on average, according to CBO. Is it more ready to fight? Almost certainly not; for the past year the press has repeatedly reported on severe maintenance problems throughout the fleet, and Navy combat pilot training in the air has remained at historic lows.

The situation in the Air Force is worse. Despite budget increases, during the same 2001-2011 period, the number of active and reserve fighter and bomber squadrons went from 142 to 72, a decline of 49 percent. Aircraft are older on average also; according to CBO they are now about nine years older and at historic highs of about 23 years. Air Force budget data tells us that fighter pilot air training hours today are only one-half to one-third of what they were in the 1970s, an era not touted for high readiness.

The Army’s brigade combat teams did grow – from 44 to 46, an all too modest increase of five percent—for a substantial budget increase. But still, CBO tells us that major Army equipment inventories are mostly older. More ready to fight? In 2006, the House Armed Services Committee held hearings and leaked a memo documenting historic lows in the readiness of active Army units. The analysis has not been publicly updated; we should worry that it has gotten worse, not better.

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In sum, more than an extra \$600 billion dollars for the Pentagon has been processed into forces that are, with minor exceptions, smaller, older, and less ready to fight. The additional costs to recover from this managerial implosion—especially if pervasive reforms are not immediately implemented and ruthlessly enforced—are huge, but they are not calculated here.

Conclusion

It is important to acknowledge that while the total DOD costs for the post-9/11 wars are immense, they are far from the complete costs that the wars have imposed on the nation; huge costs now and especially in the future have been caused in the Veterans Administration, Social Security disability, Medicare and other federal government agencies to assist the hundreds of thousands of American casualties. Those and other dollars costs are addressed in other parts of the Costs of War project.

Concerning the DOD costs, while CRS and others have done long, hard, and excellent work to capture the identifiable appropriations to the Pentagon for the Post-9/11 wars, the \$1.2 trillion CRS has, for example, identified in current dollars is problematic, but the fault is not with CRS, CBO, or GAO. The available figures have gaping holes and problems in them because of the sloppy, inept and misleading accounting of the costs by the Defense Department and Congress. Those gaps and problems include what is summarized below:

- The DOD expenditures have not been and cannot be audited to uncover the many potential errors in and the mishandling of how the money may actually have been spent;
- As we know from CRS and other organizations, the appropriations for the post-9/11 wars contain numerous and large mis-categorizations by the Executive branch and Congress; many billions counted as war costs are more appropriately categorized as base budget costs, and some number of billions of base budget costs are better categorized as war costs. The amounts actually spent on the wars are complicated by DOD's inappropriate deflators—used to compare contemporary spending to that of the past—that overstate past inflation, that bury cost growth, and that should be removed from DOD budget materials.
- The \$667 billion in 2011 dollars (\$617 billion in current dollars) appropriated to the Defense Department's base budget since 2001 as a result of the wars, while squandered, should be included in any comprehensive attempt to capture the total cost of the wars. These amounts would bring the total DOD costs of the wars to \$1.98 Trillion in constant 2011 dollars and \$1.82 trillion in current dollars.

In sum, the 2001 to 2011 cost of the post-9/11 wars to the Department of Defense can best be characterized as almost \$2 trillion dollars; however, the weaknesses and biases in DOD budget data and the mis-categorization of both war and non-war spending by the

Executive branch and Congress make fully accurate estimates impossible at this time. The actions needed to know the full costs—accurately and precisely—have not been taken, have not been requested of any of the research agencies of Congress, and may not even be desired by those asserting control over appropriations in Congress and expenditures in the Executive branch.

Endnotes

¹ Amy Belasco, Specialist in U.S. Defense Policy and Budget, Congressional Research Service, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11* (March 29, 2011, RL 33110), 26 & 49.

² The most recently available Congressional Research Report at this writing is Amy Belasco's March 29, 2011 update of *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*. CRS reports are not routinely made available to the public but can be found at websites such as the Federation of American Scientists' at <http://www.fas.org/sgp/crs/index.html>. The report referenced here is at <http://www.fas.org/sgp/crs/natsec/RL33110.pdf>.

³ Unless noted otherwise, the data for the years 2001 to 2011 are extracted from Tables 2 and 3 of CRS' March 29, 2011 *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*," 8 & 17.

⁴ Earlier CRS reports show the 2001-2002 costs to be split in half; \$16.5 billion for each year.

⁵ \$117.8 billion has been requested for FY 2012.

⁶ DOD has been unable to explain to CRS how and where this money was spent. It is one example of the fundamental problem in DOD expenditures, explained below.

⁷ Congressional Budget Office, letter to the Honorable John Spratt, Chairman House Budget Committee, January 21, 2010, <http://www.cbo.gov/ftpdocs/109xx/doc10995/01-20-CostOfChangesinTroops.pdf>.

⁸ For example, see the discussion on pp. 17-19 of CRS's earlier September 2010 *Cost Report*: Amy Belasco, Specialist in U.S. Defense Policy and Budget, Congressional Research Service, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11* (September 2, 2010, RL 33110).

⁹ Projecting other future costs related to the wars, such as Veterans disability and healthcare costs, are a different matter. They are based on more knowable quantities of veterans, and VA and Medicare costs.

¹⁰ Inspector general, United States Department of Defense, *Summary of DOD Office of Inspector General Audits of Financial Management* (October 19, 2009, Report No. D-2010-002), <http://www.dodig.mil/audit/reports/fy10/10-002.pdf>.

¹¹ DOD OIG, *Summary*, 4.

¹² DOD OIG, *Summary*, 13.

¹³ DOD OIG, *Summary*, 14.

¹⁴ DOD OIG, *Summary*, 7.

¹⁵ DOD OIG, *Summary*, 5.

¹⁶ DOD OIG, *Summary*, 6.

¹⁷ DOD OIG, *Summary*, 12.

¹⁸ DOD OIG, *Summary*, 8.

¹⁹ DOD OIG, *Summary*, 7.

²⁰ DOD OIG, *Summary*, 10.

²¹ US House of Representatives, *Conference Report for HR 2647, National Defense Authorization Act for Fiscal Year 2010*, (House Report 111-228, October 7, 2008), 801, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr288.111.pdf

²² Peter G. Goselin and Robin Wright, "Iraq War Costs Could Soar, Pentagon Says," *The Baltimore Sun*, February 26, 2003, <http://www.baltimoresun.com/business/bal-warcosts030303.0.1785509.story>.

²³ President's Commission on Fiscal Responsibility and Reform, *Draft Document 11.22.10 Update*, \$200 Billion in Illustrative Savings, item 47,

http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

²⁴ Belasco, *Cost* (September 2, 2011, RL 33110), 48.

²⁵ Belasco, 2010 *Cost*, 49.

²⁶ Belasco, 2010 *Cost*, 34.

²⁷ Office of the Under Secretary of Defense (Comptroller), *National Defense Estimates for 2011* (March 2010) For example, see the budget authority and outlay data in tables 6-8 through 6-13 of this “Green Book.” The 2011 edition is available at the Comptroller’s website at

http://comptroller.defense.gov/defbudget/fy2011/FY11_Green_Book.pdf.

²⁸ They have also sometimes been called “then year” dollars.

²⁹ 2011 *Green Book*, 109.

³⁰ 2011 *Greenbook*; Find the table used in this calculation on p. 41-42.

³¹ The calculation for the combined years 2001 and 2002 assume \$16.5 billion appropriated in FY 2001 and in 2002.

³² For an extended discussion of DOD unique inflation indices, see “Navigating the Pentagon’s Inflation Labyrinth: DOD’s Budget Bible Hides Growth and Provokes Excess Spending,” Winslow T. Wheeler, Director, Straus Military Reform Project, Center for Defense Information, Washington, D.C., May 2011, at <http://www.cdi.org/pdfs/GreenbookInflationMay11.pdf>.

³³ See, for example, the arguments presented by J. Williams at <http://www.shadowstats.com/>.

³⁴ 2011 *Greenbook*, Table 5-1 on p. 41. Note how the column labeled “GDP” consists of significantly different indices from the column labeled “DOD Total.”

³⁵ US General Accounting Office, *Potential for Excess Funds in DOD*, (GAO/NSIAD-85-145, September 3, 1985); US General Accounting Office *Budget Issues: Potential for Excess Funds in DOD-March 1986 Update*, (GAO/NSIAD-86-76, March 1986, and Congressional Military Reform Caucus, *Can Congress Rely on DOD’s Inflation Adjustments as a Basis for a Budget Freeze?* (A Report Prepared by the Military Reform Caucus, May 1985), available at <http://pogoarchives.org/labyrinth/08/01.pdf>.

³⁶ Frances M. Lussier, Congressional Budget Office, *Replacing and Repairing Equipment Used in Iraq and Afghanistan: The Army’s Reset Program* (September 2007), ix & 35-37, <http://www.cbo.gov/showdoc.cfm?index=8629&sequence=0&from=7>.

³⁷ For a discussion of these and other earmark enhancing budget gimmicks in Congress, see Winslow T. Wheeler, “**Defense Budget Tutorial: A Preview of Next Week’s Major DOD Appropriations Bill Gimmicks**,” (July 13, 2006), <http://www.cdi.org/friendlyversion/printversion.cfm?documentID=3588>.

³⁸ The 2011 column is based on CRS data for 2011 DOD appropriations. Other DOD data in this table are from the 2011 and 2012 Green Books and the tables above in this study.

³⁹ 2002 *Green Book*, http://comptroller.defense.gov/Docs/fy2002_greenbook.pdf.

⁴⁰ Office of Management and Budget, *2002 Analytical Perspectives*, (US Government Printing Office, 2001), 510, <http://www.gpoaccess.gov/usbudget/fy02/pdf/spec.pdf>.

⁴¹ In “nominal” or “current” dollars, the data are as follows: 2000: \$290.5 billion; 2001: \$295.1 billion; 2002: \$309.4 billion; 2003: 318.0 billion; 2004: 326.9 billion; 2005: 336.0 billion; 2006: \$345.5 billion.

⁴² These numbers, except for 2000, are a plan, not actual appropriations; for that reason they differ from the numbers for 2001 – 2006 in other tables.

⁴³ George W. Bush, letter to the Speaker of the House of Representatives, with enclosures, June 27, 2001, <http://www.gpoaccess.gov/usbudget/fy02/pdf/9dod.pdf>. In nominal dollars, the additional request was for \$18.4 billion more above an adjusted 2002 request of \$310.5 billion.

⁴⁴ Bush, Letter, 1.

⁴⁵ From <http://www.gpoaccess.gov/usbudget/fy02/pdf/9dod.pdf>.

⁴⁶ The \$328.9 billion baseline is inflated per the annual BA inflation multipliers on p. 51 of the 2011 Greenbook.