



The Obama 2010 Defence Budget Request

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Introduction

On Feb 26, 2009 the United States Office of Management and Budget published *A New Era of Responsibility: Renewing America's Promise*, which contained President Barack Obama's Budget Message, information on the President's priorities, and budget overviews organized by Agency for Budget 2010.

The Budget included significant changes to the US Defense Budget both in terminology and in size, especially when measured as a percentage of GDP.

Change in Terminology and Format: "Overseas Contingency Operations"

The new Obama administration moved quickly to replace the terms "War on Terrorism," "Global War on Terror," and "Global War On Terrorism" with a new term: "Overseas Contingency Operations" (OCO).

This was accompanied by a change in presentation format of the Presidential Budget Request, described as intended to "transparently present the full costs of providing national security."

"The Budget will clearly show the costs of the base defense budget and

the incremental costs of ongoing military operations in Iraq and Afghanistan for 2010. For the years beyond, the Budget includes placeholder numbers with the understanding that these should be considered subject to change as policy decisions are made."

"These operations are now to be described as "Overseas Contingency Operations" and to be broken out separately from the 'DOD Base.'"

"The President is working with his military commanders to increase the number of U.S. troops in Afghanistan while responsibly removing combat forces from Iraq. To address the costs of military operations in Iraq and Afghanistan, the Administration requests \$75.5 billion for the remainder of 2009 and \$130.0 billion for 2010."

"The Budget includes placeholder estimates of \$50 billion per year for 2011 and beyond. These estimates do not reflect any policy decisions about specific military or intelligence operations."

The implication, of course, is that money allocated to "Overseas Contingency Operations" will not be permanently included in the Base Defense Budget, but will be a temporary increment only as long as the contingency lasts.

The Base Defense Budget

The Presidential Budget Request also provides ten-year forecasts of the

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size of the Base Defense Budget, as well as estimates of GDP and the percentage of GDP which will be devoted to defence, as the following table shows.

Budget Year	ME \$bn ¹	GDP \$bn ²	ME/GDP % ³
2008	612	14,222	4.3
2009	687	14,240	4.8
2010	707	14,729	4.8
2011	653	15,500	4.2
2012	629	16,470	3.8
2013	630	17,498	3.6
2014	639	18,386	3.5
2015	652	19,205	3.4
2016	667	20,060	3.3
2017	682	20,952	3.3
2018	697	21,884	3.2
2019	713	22,858	3.1

What is particularly striking about this table is the ME/GDP column, which peaks in 2009 and 2010 at 4.8% of GDP and then commences a slow decline to 3.1% in 2019.

Put a different way, the United States defence budget as a percentage of GDP will decline by 1.7 percentage points between 2010 and 2019, a drop of 35.4%.

An Inflation Based Model

A different way of looking at the United States defence budget is to consider the impact of inflation on the

budget in order to arrive at the “real growth” or “real negative growth” in the budget. Those effects are shown in the following table, which adjusts for inflation and population growth.

Budget Year	ME \$bn	ME Inflation Adjusted ⁴
2010	707	707
2011	653	636
2012	629	595
2013	630	578
2014	639	569
2015	652	563
2016	667	559
2017	682	554
2018	697	550
2019	713	546

What is striking about this table is the degree to which the real purchasing power of the US DOD declines each year, dropping from a real \$707 billion in 2010 to a real \$546 billion in 2019—a drop of \$161 billion or 22.8%.

Comparison with the Clinton Defence Budget

The 2019 Obama defence budget of 3.1% of GDP is effectively of the same magnitude as the last Clinton Defence Budget just before the events of September 11, 2001.

The Bush Forecast in Budget 2009

Yet another way of looking at the Obama Defence Budget of 2010 is to



compare it with the Bush Defence Budget of 2009. This is shown in the following table.

Budget Year	Bush ⁵ Budget	Obama Budget	Change
2008	612	612	
2009	726	687	-39
2010	755	707	-48
2011	753	653	-100
2012	766	629	-137
2013	783	630	-153
2014	800	639	-161
2015	821	652	-169
2016	841	667	-174
2017	862	682	-180
2018	884	697	-187
2019	906	713	-193
Total 2010-2019	8,172	6,669	1,503

The cumulative ten year total reduction in the Obama 2010 defence budget from the Bush 2009 defence budget is \$1.5 trillion dollars.

Making the Cuts

The April 6, 2009 news briefing⁶ delivered by Defense Secretary Robert Gates provided an initial sense of where the cuts in US defence capabilities would be made. The briefing included the traditional/ritual efficiency objectives, but the real thrust was a reduction in capital procurement, particularly of programmes which were oriented to

future state-vs-state wars: “we must re-balance this department's programs in order to institutionalize and finance our capabilities to fight the wars we are in today and the scenarios we are most likely to face in the years ahead, while at the same time providing a hedge against other risks and contingencies.”

Implications for Canada

The Canadian defence budget tends to follow trends in the US defence budget. Indeed, for the past 20 years the average Canadian defence budget, measured as a percentage of GDP (ME/GDP) has amounted to 34.6% of the US defence budget, with a standard deviation of 4.2%.⁷

If the Canadian defence budget were to follow the Obama pattern, we might be on our way back to 1.07% of GDP instead of the current 1.3% of GDP—a cut of 17.5%.

Worrisome?

1. United States Office of Management and Budget. *Budget of the U.S. Government Fiscal Year 2010; Updated Summary Tables May 20.* Table S.4.

2. *Ibid.*, Table S-1

3. *Ibid.*, Table S-5

4. *Ibid.*, Table S-6

5. *Ibid.*, Table S-3

6. <http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4396>

7. Calculated from data in *NATO Facts and Figures*—various years.

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