The Daily Dish

The Outlook for Defense Policy and Defense Spending

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Those budget-savvy readers of Eakinomics are probably already aware that for fiscal year 2022, the president has signed the Consolidated Appropriations Act (CAA) that provided $782 billion for the defense budget and $13.6 billion in emergency funding for security assistance to Ukraine. Looking forward, the president requested $813 billion for defense in his fiscal year 2023 budget and has announced he is seeking another $33 billion (bringing the total to $46.6 billion) in supplemental spending on Ukraine.

What many people don't know is that these numbers represent the first time in a while that the budget numbers are driven exclusively by defense policy considerations. As explained by Gordon Gray in his latest: "This marks the first enactment of annual agency funding since the expiration of the Budget Control Act of 2011, which imposed caps on discretionary spending levels through 2021. Congress enacted increases to the caps on defense and non-defense funding five separate times, most recently and finally with the Bipartisan Budget Act of 2019, signed into law in August of 2019."

It is important to distinguish between developing a budget plan – for example, a joint budget resolution agreed to by the House and Senate – and having statutory budget caps. The former is a process for weighing the importance of various policy issues and allocating more funds toward those deemed most pressing – and, yes, less to the others – while keeping total spending in line with macro budgetary goals. The latter are essentially arbitrary spending targets that were not developed with an understanding of current conditions. Having budget considerations drive the policy dictates spending at the "wrong" level (which could be either too high or too low) and also eliminates the weighing of the relative importance of defense and non-defense spending. (Admittedly, changing the caps is a way, but a clunky and time-consuming way, to accomplish this.)

What does this mean for the defense budget going forward? It is hard to say. Per Gray, the

president's budget request "is informed by the National Security Strategy and National Defense Strategy. Classified versions have been reported to Congress but have not yet been made public. The outlook for follow-on Ukrainian defense assistance is necessarily unclear." In short, the funding needs of the policy are not clear. The only thing we can say for sure is that they should not be set in the future by arbitrary caps.