

Should it be recession proof?

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The current global economic crisis, and the strain it has put on government fiscal balances, raises a potentially bristling question for policymakers and taxpayers alike: Just how recession-proof should defence budgets be?

At a time when virtually all government expenditures are being reduced, it is reasonable to ask whether militaries around the world should “share the pain”.

How recession-proof defence budgets actually are, of course, is a matter of public record.

In Malaysia, for example, not very much at all: A major victim of recent cost-cutting measures by Kuala Lumpur has been the cancellation of a 1.7-billion ringgit (\$710,000) order for 12 Eurocopter EC-725 helicopters to replace the aging Sikorsky S-61 “Nuri” helicopter. Additionally, the competition for an airborne early warning and control aircraft looks likely to be delayed to the middle of the next decade, due to a shortage of funds.

Such spending cuts are not new for Malaysia. In 1998, at the height of the Asian financial crisis, the government slashed 1 billion ringgit — more than 20 per cent — from its military budget, and it was several years before defence spending rebounded.

Contrast this with Singapore, which recently announced it would boost defence spending by six per cent, or \$11.45 billion. Last year, Defence Minister Teo Chee Hean argued that a fully-funded military is a critical “insurance policy” for a country lacking strategic depth against potential aggressors.

Compared to Malaysia and just about every other South-east Asian country, therefore, Singapore’s defence budget does appear to be recession-proof. The question is, should it?

The case for ‘Sparing the pain’

There is a strong argument to be made that defence spending should be sacrosanct, as national defence is the first order of business of any nation-state.

Any country that cannot secure its territorial viability may soon cease to be a country. Military spending, therefore, must be tied to external threats, perceived or otherwise, and national security requirements — and not to impermanent economic circumstances, no matter how bleak they may be at the time.

In other words, defence, like banks and the United States auto industry, is simply “too big to fail”.

In addition, there is also something to be said about maintaining a steady level of defence spending through good times and bad. Funding predictability for the armed forces helps make planning for the future less risky.

It also ensures that defence projects with long periods of gestation and high initial sunk costs are not subjected to the vagaries of the economic climate. This is especially pertinent for so-called big ticket items such as combat aircraft and naval vessels, which typically have very long procurement cycles. Terminating any such procurement in mid-stream makes

neither strategic nor economic sense.

The question is where one draws the line, and how bad the broader socio-economic climate must be before cuts in defence spending are contemplated, much less implemented.

The case for 'Sharing the pain'

That said, defence budgets can never be totally recession-proof. No part of government expenditures should be permanently off the table. Bankrupting one's country for the sake of so-called "national security" can be as damaging as under-funding defence.

All rational defence policies have always been a careful balancing act between what is strategically needed and what can be afforded. And what can be afforded determines strategic priorities as much as strategic priorities drive budget-making — probably more so, in fact.

Additionally, one should not treat defence spending as something special in government budgets. Militaries are not run by saints and angels who spend their defence dollars altruistically, with only the greater good in mind. Bureaucratic politics, inter-service rivalries and even personal jealousies and ambitions run riot in militaries as much as they can in other government agencies. Therefore, defence budgets are subject to the same potential abuses. So even in tough economic times, militaries should not be given a "bye" when it comes to spending.

In particular, one should question the wisdom of linking defence spending to some magic number. There are some in the US, for example, who argue that the US defence budget should be pegged to 4 per cent of GDP, as current defence needs (the global war on terror, the ongoing wars in Iraq and Afghanistan) require a "stable and predictable" level of funding. Yet, these advocates provide no sound military rationale for linking it to this particular percentage point; if the situation is so dire, then why not 5 or even 10 per cent?

Ultimately, such an approach is not only self-serving but a distortion of military planning — and hey, would they accept a budget cut if GDP fell?

The economic myth

Finally, the idea that defence spending should be protected for its economic benefits is not only morally wrong but often based on false arguments. In the first place, defence budgets are not a welfare programme; they are for protecting the country, not creating jobs.

Secondly, the macroeconomic gains of military spending are often greatly exaggerated. Arms manufacturing in many countries is often an inefficient and poorly run affair, prone to cost overruns and low production runs.

The defence sector is typically an industrial enclave, making little overall contribution to a country's economic development while sucking up considerable public resources in the process.

Meanwhile, anticipated spin-off or economic multiplier benefits — such as expanded resource utilisation, commercially useful technologies, and workforce education and training — are usually not large enough so as to be worthwhile.

Which course to take?

There is no simple answer to the question of whether defence budgets should be recession-proof, any more than the issue of what constitutes optimal military spending (the “how much is enough?” question) can ever be resolved.

Ultimately, defence spending is like any other type of budgeting — a matter of juggling needs, wants, and expectations. In other words, an imprecise thing.

It is also something that must be constantly reappraised so as to take into account both external actualities (such as threats) and internal realities (the ability to pay).

One can certainly choose to make defence spending recession-proof. But make no doubt, in tough economic times, there is no painless way to do this. It is, therefore, a decision that must be owned by politicians and public alike.

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