
Defense Report

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A Moratorium on Spending for Defense—Can We Sweep Our Problems Under the Rug?

When the White House and Congressional leaders emerged from last November's "budget summit", they were in agreement that the Defense Department budget would be cut down to \$277 billion in outlays for fiscal year 1988. The fiscal year was half over when Defense budgeteers recognized that the Military Departments were spending against their appropriations too rapidly. Unless curtailed they would exceed the summit estimate and, therefore, fail to meet the government's deficit reduction target.

In an effort to head off the problem before it is too late, the Defense Department has imposed a five-week moratorium on spending for new research and development contracts, for non-essential military travel and has ordered its departments to defer supply purchases, make only emergency repair to facilities and to limit civilian employee hiring. Additionally, Deputy Defense Secretary William H. Taft, IV has ordered the curtailment or deferment of a number of other services and equipment purchases in the hope of getting defense payments back on schedule.

Upon imposition of the moratorium, Mr. Taft stated that Defense could be as much as \$2.5 billion ahead of its own spending plan. Among the major causes of the Defense outlay problem was the earlier than normal obligation of research and development funds and cost of the fluctuating dollar overseas. When an overseas commander budgets for local services at a then-existing exchange rate and the dollar then takes a sharp drop, the commander must write a check at whatever the rate when the bill is presented. For 1988, the additional outlays for this alone may be on the order of \$1 billion.

This problem is of such a nature that it won't be solved by a five-week hiatus on research and development or civilian hiring. Such cosmetic measures are not intended to reduce total annual obligations or to eliminate the ultimate payment of outlays; rather they defer expenditures and shove some of the check writing into the next fiscal year. That means that the next Defense Department budget will have to absorb additional outlays within an already established ceiling. But that's a problem for the next President and the 101st Congress, isn't it?