In early summer 2023, President Joe Biden and Speaker of the House Kevin McCarthy (R-CA) reached an agreement to raise the debt ceiling and avert a government default. While compromise is necessary, the deal included caps on overall spending at fiscal 2022 levels and made no exception for national defense. The United States is in the beginning of a tumultuous time: a new cold war with China and Russia. Washington ought to be moving with a great sense of urgency and national purpose to rebuild its defense industrial base (DIB), modernize its nuclear forces to meet the dynamic threats, grow the US Navy, and upgrade critical space systems, among other things. The caps on military spending undermine America’s ability to support its immediate interests in Ukraine and limit its capacity to deter future aggression and expansion by the People’s Republic of China (PRC), further violence by China’s junior partner Russia, and rogue action by the Islamic Republic of Iran and North Korea.

The debt deal caps US military spending at $886 billion, which may initially appear to be a raise, but effectively flattens the Pentagon budget over the next two years. The dollar amount is 3.2 percent higher than last year’s request and will rise by 1 percent next year for a total of $895 billion in fiscal year 2025.1

But when accounting for inflation, the cap amounts to a significant cut in real terms over last year’s budget. The projected figures suggest that US defense spending could fall below 3 percent of gross domestic product for the first time since the 1990s’ “peace dividend.”2 The budget that the Pentagon submitted for this year should be $23 billion higher just to keep pace with the current rate of inflation. This is before factoring in the budget increases necessary to keep up with the evolving threat environment, including an ongoing land war in Europe and a Chinese Communist Party with revanchist ambitions in the Indo-Pacific.3
Raising the stakes, the deal also included a provision that triggers an automatic sequester against the budget, including the military: an indiscriminate 1 percent cut if the House and Senate fail to pass 12 annual spending bills by midnight on New Year’s Eve.4

The military has only now begun to recover from the effects of the sequester that occurred in 2013 as a result of the 2011 Budget Control Act (BCA). Another one now, at a time of acute and immediate threats from multiple adversaries, could have catastrophic effects.

Congress would be wise either to urgently amend the bill or to prioritize the imperative of avoiding a second sequester over all other political matters. Then Congress should pass supplemental funding measures to ensure the Department of Defense (DoD) has the resources it needs to address the significant shortfalls that already exist and that the Obama-era sequestration only exacerbated.

Today’s Threat Environment
The PRC poses the greatest threat to US security and the American way of life. It aims to replace the US-led system of alliances that are friendly to democratic and pluralistic societies with a Sinocentric world whose rules and order benefit the PRC and its authoritarian allies.

The PRC is investing heavily in its military across all domains. While the expert community has said China’s spending is roughly 1.7 percent of its GDP, new data and context illuminate the true extent of PRC military investment.5 It is likely around $700 billion annually, roughly equivalent to 3.8 percent of China’s 2022 GDP.8

Most alarmingly, the PRC is undertaking a strategic breakout in its nuclear weapons program. In 2020, the DoD expected China’s operational nuclear warhead stockpile, which it then estimated in the low 200s, to at least double by 2030.7 Beijing’s stockpile doubled in just two years.8 The 2022 China Military Power Report evaluated that China’s stockpile had surpassed 400 operational warheads, and the DoD now expects China to possess about 1,000 operational warheads by 2030 and 1,500 by 2035.9

Beijing has also taken steps in other advanced weapons systems. In August 2021, the PRC sent an advanced hypersonic fractional orbital bombardment system around the planet, a capability for which the US possessed no active countermeasure.10 Meanwhile, PRC officials refuse to sit down with US negotiators or provide transparency on their weapons development and programs.

The PRC is increasing its aggressive behavior against US allies, including using water cannons against lawful Philippine and Vietnamese fishing ships,11 dangerously maneuvering around democratic Taiwan,12 and expanding its presence far outside its immediate region.13

As the PRC advances its imperialistic program and continues its aggressive behavior, it remains the biggest backer of Russia’s war of conquest against Ukraine. Russian leaders have expressed an intent to subjugate Ukraine and ultimately to break apart the North Atlantic Treaty Organization.14 While Ukraine has significantly degraded Russia’s conventional military,15 Moscow still possesses categories of advanced weapons that pose a threat to the United States. Like China, Russia has been investing heavily in its nuclear weapons program. Its theater-range nuclear weapons outnumber the US arsenal 10 to one.16 Putin has utilized this arsenal to his advantage through routine threats and arbitrary red lines that have deterred the Biden administration from leading NATO to equip and enable Ukraine to prevail over Russia. Russian leaders have repeatedly threatened nuclear employment throughout the course of the war.17

Budget Shortfalls Relative to Pentagon Needs
At the end of the Cold War, the United States possessed a near-600-ship Navy.18 Now the fleet comprises 294 ships.
Meanwhile, in a classified report to Congress, Navy planners estimate that the US needs 381 ships and submarines to have a global fleet capable of supporting the objectives outlined in the Biden administration’s 2022 National Security Strategy. While China’s navy has for several years outnumbered that of the United States, the Biden budget would further divest from the US Navy’s fleet. Biden’s proposed budget would retire at least 11 ships while requesting construction of just nine. The size of the Navy’s fleet relative to the adversary’s paints a compelling picture. But the military has requested more to deter PRC aggression in the near term.

The Pentagon’s unfunded priorities lists (UPLs) provide Congress with weapon systems and programs that military leaders believe would help them carry out their missions but that did not fit within the topline budget the president provided them. UPLs are a useful starting point for Congress to fund above the president’s request, especially since the Pentagon is still recovering from the 2013 sequester’s effects on military readiness by investing in updating facilities and maintenance. When discussing the budget in 2019, DoD officials maintained that the proposed budget increase was welcome but still did not make up for the damage that years of spending cuts under sequestration caused to facilities. Further illustrating this phenomenon, in the FY2024 UPLs, facilities account for half of the Navy and Air Force lists and a third of the Army list. Every dollar that the DoD now spends on updating facilities and restoring maintenance because of the years lost to sequestration budget cuts is a dollar that does not go toward the missiles, ships, planes, and cutting-edge military technologies critical to deterring adversaries in the new cold war.

During the fiscal year 2024 National Defense Authorization Act (NDAA) debate in the Senate, Senator Roger Wicker (R-MS) proposed an amendment that would boost the funding authorized in next year’s NDAA by $25 billion, nearly the same amount needed to meet security requirements while adjusting for record inflation. The Senate Armed Services Committee rejected the amendment on a party-line vote (13–12), which cost the Pentagon a crucial opportunity to better prepare and maintain US forces and deterrence.

The fiscal year 2024 DoD UPLs, which total $16.4 billion, include M1 Abrams tanks, air defense, and helicopter enhancements for the Army; a KC-130J aircraft, spare parts, and electronic warfare upgrades for the Navy; an LPD Flight II ship for the Marine Corps; acceleration of the E-7 airborne early warning aircraft program for the Air Force; and numerous classified programs for the Space Force. Without going above its limits, the deal is unlikely to fund these programs.

Even if it included the UPLs, the budget is likely still far too modest. The bipartisan National Defense Strategy Commission report recommends a real increase of 3–5 percent over inflation. As Senator Tom Cotton (R-AR) illustrated in a floor speech this summer, the difference between the current budget deal and a budget that provides the 5 percent annual growth over inflation the Pentagon needs is about the equivalent of four Ford-class aircraft carriers, 500 F-35 fighter jets, 90,000 Stinger missiles, or half a million Javelin anti-tank missiles.

**The Sequester’s Fatal Repercussions**

“No enemy in the field has done more to harm the combat readiness of our military than sequestration,” said then Secretary of Defense Jim Mattis in 2017.

The Obama-era sequester impinged military readiness. But more importantly and distressingly, it resulted in the loss of American service members’ lives. Due to the sequester budget cuts at the Pentagon, the military increased deployments of warplanes and crews while decreasing pilot flight-training hours; cut training exercises short or underprepared for them; and laid off maintenance personnel. These shortfalls, coupled with the DoD’s inability to replace...
aging equipment, resulted in a needlessly deadly era for American service members.

Sequester kicked in on March 1, 2013. Between then and 2018, 133 American troops perished in aviation accidents. An investigation by Military Times found that accidents involving manned fighter, bomber, helicopter, and cargo warplanes jumped nearly 40 percent from fiscal years 2013 to 2017.

During a three-week period in early 2018, six military aviation crashes killed 16 pilots and crewmembers. In a report exploring options for the 2019 NDAA, lawmakers on the House Armed Services Committee found that nearly four times as many military personnel died in training accidents as in combat in 2017.

Amid a string of fatal military crashes in 2016, then Assistant Commandant of the Marine Corps Gen. John Paxton, testifying before the Senate Armed Services Committee, ascribed the accidents to funding shortfalls resulting from sequester. "If you don’t have the money and you don’t have the parts and you don’t have the maintenance, then you fly less," Gen. Paxton said. "If you fly less and maintain slower, there’s a higher likelihood of accidents. So, we’re worried," he continued.

The tragedies did not stop at aviation mishaps. The USS John McCain was involved in a deadly collision near Singapore on August 21, 2017. Ten US sailors perished in the accident. It was not even the first such accident that summer. In June, the USS Fitzgerald collided with a cargo vessel off Japan, and seven sailors lost their lives. A subsequent official Navy investigation cited lack of preparation, training deficiencies, and sleep deprivation as key factors in the accidents.

In Senate hearings in the weeks following the second crash, senators highlighted the role of sequestration and the resulting cuts to training and readiness in the summer’s deadly naval crashes. Navy veteran John McCain (R-AZ) maintained that budget cuts had forced the US military “to do more with less, and that has come at the expense of operational effectiveness.”

Addressing the Navy officials who testified at the hearing, Senator Cotton stated, “It’s hard to imagine, no matter what your investigations ultimately prove, that at least some part of the fault will not lie with Congress and the steady erosion of budgetary support that we have provided the United States Navy and the entire military.”

**Recommendations**

1. **Preserve investments for the DoD’s highest priorities and keep them above the political fray.** The threats to the United States should inform strategies to deter aggression and protect the American people and their interests. The highest priority for the DoD is deterring major war, and that means investing in a credible nuclear deterrent that is ready and able to deter our two major nuclear adversaries, China and Russia, at the same time. Because past budgets deferred the modernization of our nuclear triad and enterprise, the price of the full modernization project will be significant. But the price of further deferring investments is far higher.

2. **Support Ukraine as it carries out its counteroffensive.** As Ukraine conducts its counteroffensive, and on the heels of greater ally contributions and commitments from the Vilnius NATO summit, the United States should lead so that Ukraine can not only defend itself but prevail. This means providing Ukraine with additional weapons for its counteroffensive—the types and quantities of systems and munitions necessary to eject the invading Russian troops from its territory—starting with the long-range Army Tactical Missile System (ATACMS) missiles. Congress should also pressure President Biden to change the slow-drip approach to arming Ukraine so that Kyiv can end the war quickly and on terms favorable to it.
3. **Prioritize the UPLs to deter the PRC.** The fiscal year 2024 DoD UPLs, which total $16.4 billion, include M1 Abrams tanks, air defense, and helicopter enhancements for the Army; a KC-130J aircraft, spare parts, and electronic warfare upgrades for the Navy; an LPD Flight II ship for the Marine Corps; acceleration of the E-7 airborne early warning aircraft program for the Air Force; and numerous classified programs for the Space Force. Congress should meet these needs to ensure the military has the capabilities necessary to carry out its deterrence mission against the PRC.

4. **Invest in the DIB.** The tragedy of Russia’s unprovoked war against Ukraine has resulted in some positive moves to increase US production of key weapons. US provision of weapons to Ukraine has exposed an industrial base ill-suited to produce necessary weapons quickly and at the scale the conflict requires. Had Russia not invaded Ukraine, the United States would not have had a competitive DIB that meets the demands of the threats; however, US support for Ukraine has forced government and industry to collaborate to make some improvements. These are positive changes, but the US needs to do far more.

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### Endnotes


14. Gabrielle Tetrault-Farber and Tom Balmforth, “Russia Demands NATO Roll Back from East Europe and Stay out of Ukraine,” Re-


25 Cancian, “What’s in Defense Wish Lists?”


27 Cotton, “Cotton Speaks on Senate Floor.”


32 Copp, “Death Toll for Rising Aviation Accidents.”


Cancian, “What’s in Defense Wish Lists?”


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