

Guns or butter

Mark Thomson

Treasury Secretary Dr Ken Henry certainly put the cat among the pigeons with his article in the Spring 2005 issue of *Defender*. Not only did he remind us of the fiscal impact of our aging population, but he suggested that defence would have to compete for resources with other agencies. This last point bears close examination.

At first glance it's tempting to reject the proposition outright on the basis that you cannot compare the demand for health, education and welfare against the absolute responsibility to protect Australia's sovereignty and citizens. On one level this is true; there are non-discretionary tasks that any government must be able to handle, for instance defending our territory, preventing military coercion and, arguably, fostering security in our immediate region.

However, many other roles for the ADF are discretionary – even if they involve the protection of our interests. Into this category I would put participation in peacekeeping missions like Rwanda and Somalia and coalition operations like Afghanistan and Iraq. As worthwhile as these missions may have been, the government clearly had a choice in each case.

Non-discretionary tasks tend to be exclusively Australian responsibilities with potentially severe and direct consequences. In contrast, discretionary tasks involve shared international responsibilities and entail limited direct consequences for Australia. The distinction is important; maintaining the capability to undertake nondiscretionary tasks deserves a place near the head of the queue at budget time. But enhancements for discretionary activities need to be compared with other spending options. For example, to the extent that the recent proposal to harden and network the Army is focused on global coalition operations, it will need to 'take a number' along with childcare, universities, pensions and, yes, tax cuts.

Make no mistake; the arguments for non-defence spending are strong. According to Rodney Tiffen and Ross Gittins' 2004 book *How Australia Compares*; eleven of our eighteen OECD partners have a lower infant mortality rate; fifteen have a higher secondary school completion rate; fourteen spend more on R&D as a percentage of GDP and eleven have a lower percentage of children living in poverty. Australia also has the fourth highest homicide rate, the second highest use of cannabis and amphetamines and the fifth highest childhood death rate by injury. If the government wants to improve these sorry statistics it will have to come up with the money.

Even in the national security arena, Defence faces strong competition as the government increasingly uses soft power to further Australia's security. In recent years, the Federal

Police have moved to the frontline of our counter-terrorism and regional security efforts, and our renewed engagement with the Pacific has been largely non-military. On top of this, the government has announced an effective doubling of overseas development aid.

Dr Henry also raised the issue of defence efficiency and productivity. It's a worry that the last serious examination of defence efficiency was in 1997. Left to its own devices, Defence will not spontaneously become more efficient. Unfortunately, under current arrangements, the only way to encourage efficiency is the blunt instrument of financial stringency.

Where does this leave us?

My judgement is that a defence force of the broad shape currently planned – or even a little smaller if properly structured – can handle all the credible non-discretionary tasks that might arise. It would also provide a wide range of options for discretionary operations like Afghanistan and Iraq. One thing it would not do is allow large, expeditionary, land forces for coalition combat operations. However, although our interests could be more vigorously pursued with such a capability, I do not think that it is worth the opportunity cost. Among the many other competing priorities, I think we need to free up resources to further develop Australia's regional soft power.

Consistent with this, I propose that Defence move from expansion to consolidation early next decade with the goal of creating a sustainable force no larger than that currently planned. Given the inextricable rising cost of maintaining military capability, this will still require real budget growth after 2010 – albeit somewhere below the current annual rate of three percent. In fact, once the need to encourage efficiency is folded in, the answer probably comes out in the vicinity of two percent.

This would not deliver all that is currently aspired to by the Services – especially once Defence's internal budget pressures are taken into account. But we need to plan on the basis of what we can afford in the coming decades, otherwise we will find ourselves forced to make wasteful and precipitous cuts when money gets tight. If you think that's overly pessimistic, go back and look at what was lost as a result of the Defence Capability Review in 2003 and the Force Structure Review of 1991.

Dr Mark Thomson runs the budget and management program at the Australian Strategic Policy Institute in Canberra. These are his personal views. ♦