



# Executive Memorandum

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No. 803

March 4, 2002

## HOW TO INTERPRET THE CBO REPORT ON MISSILE DEFENSE

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On January 31, the Congressional Budget Office (CBO) issued a report entitled *Estimated Costs and Technical Characteristics of Selected National Missile Defense Systems* that could be misinterpreted to suggest that deploying a layered missile defense system would be far more expensive than it actually would be. An article on the report appearing in *The New York Times* on February 1 demonstrates this point; the article mistakenly concludes that a layered and deployed ballistic missile defense program would cost about \$238 billion by 2025. This figure is off the mark for several reasons.

First, the CBO report lists separately the cost of individual or stand-alone components—such as a ground-based system and a sea-based system—that would be used in a layered missile defense system. It would be wrong to add up all the costs of these components because the cost of the entire integrated system would be less than the sum of these parts. There are supporting subsystems in each of the component parts (such as many of the sensors, the interceptor, and much of the command and control infrastructure) that would be streamlined in an integrated and layered missile defense system. In reality, deploying such a layered missile defense system is likely to cost only about 3 percent of the annual defense budget (\$8 billion to \$10 billion annually, or about 0.38 percent of the 2002 federal budget) and in most years will require spending far less than that.

The CBO report actually warns against adding up the cost of component parts to estimate the total cost of layered missile defense, but that has not stopped people from doing this. The purpose of the CBO report—to respond to a specific request from Senators Thomas Daschle (D-SD), Kent Conrad (D-ND), and Carl Levin (D-MI)—was not to estimate the cost of a full-fledged and layered missile defense system, but to estimate the cost of some individual stand-alone systems as if they were deployed by themselves.

**CBO's Analysis.** Clarifying what the report actually assessed and what its findings show is vital to the debate over missile defense. Specifically, the CBO estimated separate costs for:

1. **A ground-based mid-course system**, with estimates for research, development, procurement, and operation of one-, two-, and three-site systems. The CBO also added in the cost of new radar development, the Space Based Infrared System-Low (SBIRS-Low), command and

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Produced by the  
Kathryn and Shelby Cullom Davis  
Institute for International Studies

Published by  
The Heritage Foundation  
214 Massachusetts Ave., NE  
Washington, D.C.  
20002-4999  
(202) 546-4400  
<http://www.heritage.org>



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control infrastructure, and operations costs through 2015.

2. **A sea-based midcourse system**, including the acquisitions and operations costs of seven or nine new ships, each armed with 35 interceptors. The estimate also added in the full cost of space-, sea-, and ground-based support infrastructure, such as new radar development, the Space Based Infrared System–Low (SBIRS–Low), command and control, and operations costs through 2015.
3. **A space-based laser capability**, including the acquisition *and* operations costs through 2025 for a constellation of 24 laser-capable satellites.

Though there certainly was no intent by the CBO to mislead the public, the fact is that the report can be misinterpreted. To understand what the CBO report does and does not say about missile defense costs, it is important to remember that:

- **CBO did not forecast the cost of a layered missile defense architecture.** The Senators asked the CBO to assess the cost of several missile defense components as if they were developed, deployed, and operated independently, not as a system of systems. It would have been helpful if CBO had followed through and estimated the cost of developing and deploying the three missile defense programs as part of a layered system, especially since that is the architecture the Administration is likely to pursue.
- **Adding in the full cost of support infrastructure to each program unnecessarily inflates program costs.** CBO unnecessarily added billions of dollars to the cost of each missile defense system by attributing the full cost of support infrastructure that will not be used solely for missile defense. Attributing multipurpose infrastructure to missile defense alone is misleading. For example, the sea-based option estimate includes the acquisition and operations costs of seven to nine additional destroyers. The Heritage Foundation Commission on Missile Defense has argued that a sea-based option can be achieved by building onto the Navy's existing Aegis cruisers. If more ships are

needed to carry out the Navy's missions, one of which would be missile defense, the cost of those new ships should not be attributed to missile defense alone, as they surely will be used for other missions such as land attack, fleet defense, and anti-submarine warfare. The same holds true for SBIRS–Low. In defense budgets today, the cost of SBIRS–Low is assigned to neither ground-based nor sea-based options; it is considered a multi-purpose program that will fulfill the requirements not only of ballistic missile defense, but also of other general defense needs such as space surveillance and battlefield awareness.

- **Adding in the cost of operations over time is also misleading.** The cost estimates for missile defense should have been limited to the cost of acquisitions. All options for building a missile defense for U.S. territory are in the research and development phase. Not only will support infrastructure for missile defense be used for other missions, but the operational costs for the systems under development also may be offset by savings derived from deploying a smaller strategic nuclear force. This will be true not only for ships and SBIRS–Low, but also for sensors and command and control infrastructure. Indeed, much of what is being developed for missile defense could well provide the foundation for America's information-intensive military transformation initiative.

**Conclusion.** Accurate assessments of the cost of missile defense can be made only once a decision is made about the actual architecture the Administration will pursue. Policymakers should remember that Americans are willing to pay whatever it takes to defend the homeland against missile attack. The costs of remaining vulnerable to even one successful missile strike far exceed the costs of deploying missile defense, which is more affordable than critics contend.

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