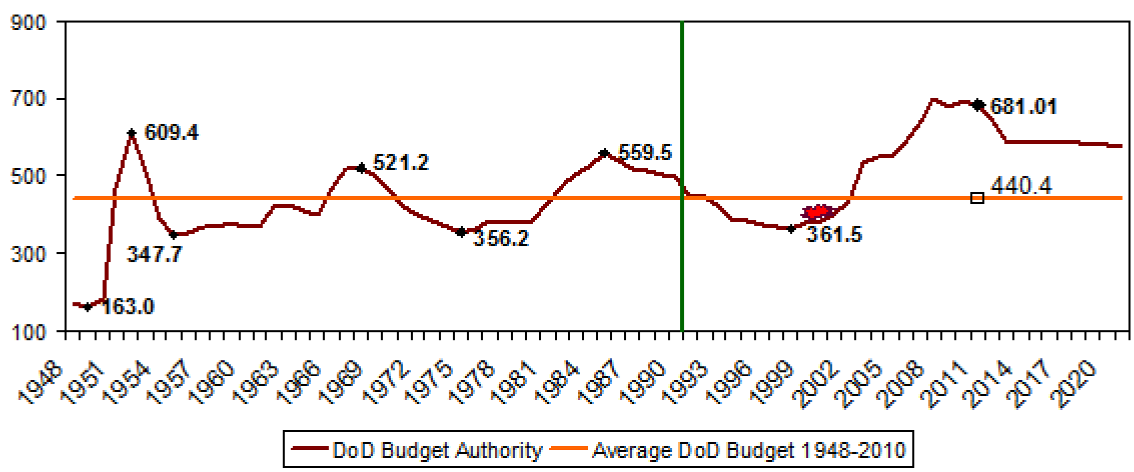
Fixed in Place: The post-1998 Boon in US Defense Spending

The rise in US military spending since 1998 has been unprecedented over a nearly 50-year period. So has the rise in US national debt. Concern about debt and deficit spending has now served to slow the rise in planned Pentagon budgets, and may even mitigate it some, especially if America's current wars draw to a close. Nonetheless, the Fiscal Year 2012 budget plan, submitted by the Obama administration on 14 February, for the most part preserves and extends into the future the exceptionally high-levels of military expenditure established in recent years. National concern about debt and deficits has been mostly deflected to other accounts.

The chart below shows the variance in Pentagon budget authority over a 73-year period, including expenditures for war. The first three peaks represent the Korean war period, the Vietnam war, and the Reagan spending surge. Following the Reagan period is the post-Cold War trough. Subsequently, the budget rises to its present plateau, which sits substantially higher than the entire Cold War period.

Indeed, since 2007, the Pentagon budget has been consistently 20% above the highest budget of the Reagan years and more than 25% above the highest year of Vietnam era spending, adjusted for inflation.

Fig. 3-1. DOD Budget Authority 1948-2021
(Billions of 2010 USD)



Sources: DoD & Office of Management and the Budget — Project on Defense Alternatives

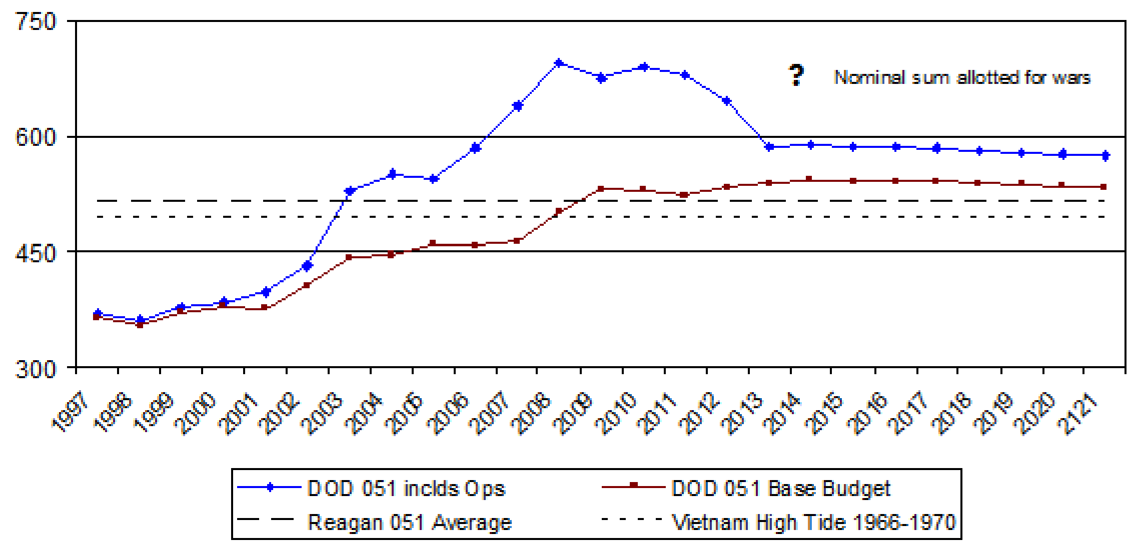
Although spending is shown to decline markedly after 2012, this is an accounting artifact. The future cost of ongoing wars is unknown and budget planners are unwilling to estimate. Instead, they have adopted a low-ball "place keeper" figure for war costs after 2012: $50,000. Actual war spending for this period is likely to be higher – and perhaps much higher.

The green vertical line marks the end of the Cold War period. The red burst marks the date of the 11 September 2001 terrorist attack by the Bin Laden group.

Notably, the decline in spending after the Cold War is a modest one, given the collapse of the Soviet Union and its global alliance, which had been the principal driver of US defense spending for 40 years. The former Soviet Union, its European allies, and other allied or friendly states comprised a group of what are today 25 independent nations with a combined population of 550 million people. Not only did the Soviet Union sustain an adversarial global alliance and peer military, it also supported terrorist and insurgent activities worldwide. Nothing of this peer adversary remains today and many former Soviet allies have formally joined the Western camp. Nonetheless, rather than indicating a major strategic transition, the post-Cold War trough in Pentagon spending resembles earlier dips that had occurred while the Cold War was still underway.

US military spending began to rise again in real terms in 1999. Its rise accelerated after the 2001 attacks and then again with the onset of the Iraq war. By 2010, it had grown 91% in real terms – a jump nearly equivalent to the earlier Kennedy, Johnson, and Reagan surges combined. However, as Figure 3-2 shows, the rise was not solely due to the post-9/11 wars. The Pentagon's base budget, which excludes war costs, by itself rose 49% between 1998 and 2009. In Figure 3-2, the lower (red) curve, representing base spending, first rises to more than $531 billion in 2009 (measured in 2010 constant dollars). It then dips slightly in real terms before rising to $533 billion (2010 dollars) in 2013 and remains above this level in real terms through 2021.

Fig. 3-2. DoD Budget Authority 1997-2019
with and without Contingency Operations
(billions 2010 USD)



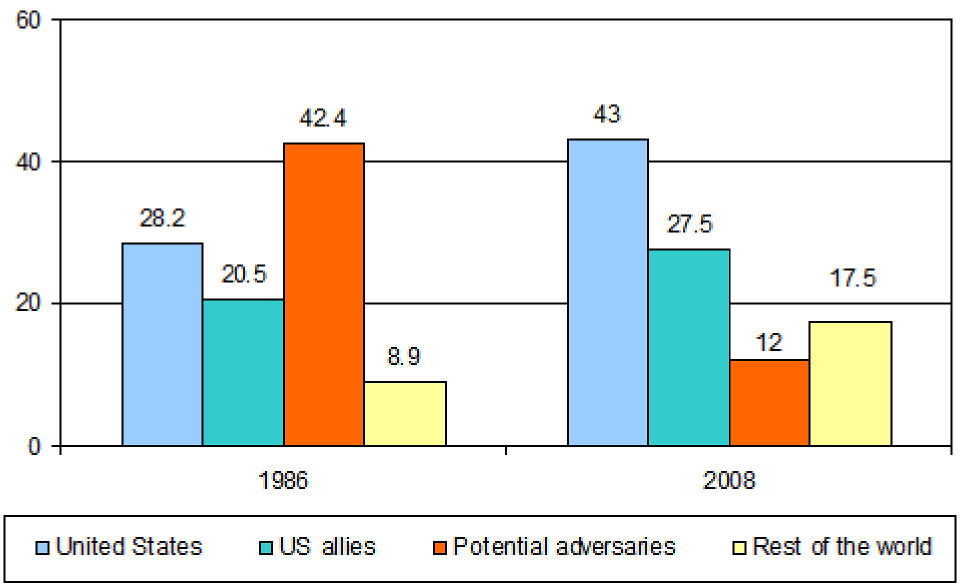
Source: DoD & Office of Management and the Budget   Project on Defense Alternatives

The horizontal dashed line cutting across the chart represents average inflation-corrected expenditures during the Reagan years when Cold War spending peaked. The dotted line below it represents the average for the most costly years of the Vietnam war period.

The 1998-2010 growth in the "peacetime" portion of the budget was due partly to rising personnel and health costs. More important than that, however, were the launch of a sweeping program of military modernization, the Pentagon's undertaking of new global missions, and the adoption of a more ambitious, proactive, and diffuse military strategy.

In Pentagon parlance the new approach has been "capabilities based," rather than "threat based." One consequence is that America's share of global military spending has grown steadily. As shown in the figure below, the gap between US military investment and that of America's potential adversaries is much more favorable to the United States than was the case during the Cold War. Nonetheless, neither the White House nor much of Congress yet sees in this large margin of advantage an opportunity to press the Pentagon to carry a larger or even proportionate share of the deficit-reduction burden.

Figure 3-3. Percentage Shares Global Military Spending



Sources: Int'l Institute for Strategic Studies, US Arms Control & Disarmament Agency

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US allies include all NATO states plus Israel, Australia, New Zealand, Japan, Taiwan, and South Korea.

Potential adversary states include, for 1986: the Soviet Union and other Warsaw Treaty states, China, Cuba, Iran, Iraq, North Korea, Libya, Syria, and Vietnam. For 2008, the former Soviet Union and Warsaw Treaty states are replaced by Russia and Belarus. Vietnam and Libya are removed, but Venezuela is added.

Sources: International Institute for Strategic Studies, The Military Balance 1996/97, 1995/96, 1994/95, 1993/94, 1992/93, 2002-2003, 2008, 2010; Office of the Secretary of Defense, Military and Security Developments Involving the People's Republic of China (Washington DC: DoD, 2010); US ACDA, World Military Expenditures and Arms Transfers 1995, 1999-2000.

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