

Defense Spending and the Production of US National Debt, 2001-2010

The year 2000 was the last of recent years that ended with an on-budget federal surplus. During the subsequent 10 years, 2001 through 2010, \$7.9 trillion was added to America's gross federal debt. Surpluses in revenue for Social Security and other trust funds covered some of the deficit spending during these years, thus the accumulation of "debt held by the public" amounted to only \$5.6 trillion. (The remainder is due Social Security.) All told, the amount of gross federal debt grew by 140% during this period, while "public debt" rose by more than 164%.

Notably, about two-thirds of this new, post-2000 debt was incurred before the onset of America's recent economic troubles and before any substantial efforts to redress those problems.

Figure 4-1. below tallies several categories of federal and defense spending during the debt accumulation period. The category "National Defense" encompasses the Pentagon budget plus a small amount of additional spending, mostly related to nuclear weapons. During the period 2001-2010, the National Defense account absorbed about 22.3% of all federal spending. Looking just at discretionary spending, defense accounted for 53.5% of the total. Less than a fifth of this amount was devoted to wars.

Figure 4-1. Defense Spending and Debt Accumulation 2001-2010
(dollar figures in trillions)

Total Federal Spending	24.42
of which Discretionary	10.09
Total National Defense (050) Spending	5.45
of which Discretionary	5.40
of which for Overseas Contingency Operations (OCO)	1.05
National Defense as % of Total Federal Spending	22.3%
National Defense Discretionary as % of Discretionary	53.5%
OCO as % of Discretionary	10.4%
Accumulated Gross Federal Debt	7.9
of which "Public Debt" (ie. not held by other government accounts)	5.6

Sources: *Budget of the US Government, Fiscal Years 2002-2012*; Undersecretary of Defense (Comptroller), *National Defense Budget Estimates*.

As noted above, the surge in debt during 2001-2010 was not due principally to post-2007 economic recovery efforts, although these contributed. Debt accumulation also was due partly to recession-related drops in expected revenue as well as intentional reductions in taxes and tax rates. The final ingredient was an

increase in expenditures during these years: total federal spending rose by 91%. (By contrast, inflation was less than 26% for the period and the rise in GDP was less than 50%).

Table 4-2 illustrates one way to measure the contribution of the defense budget to this surge in expenditure and debt. The table takes spending levels in the “surplus year” 2000 as a baseline and aggregates all spending above this level for the subsequent years, 2001 through 2010. It shows that total federal spending above the 2000 baseline during these years was \$9.9 trillion. Of this, discretionary spending above the 2000 baseline was \$4.25 trillion. Defense was responsible for more than 56% of this additional discretionary spending and 24.3% of the additional federal spending overall.

It is noteworthy that defense’s share of additional spending is greater than its share of overall spending (as shown in the previous table, 4-1). This means that the defense account has been among the “leaders” of increased spending during the period, growing at more than the average rate. And, indeed, while the federal budget grew by 91% during the period, national defense grew by 137%. Taking war expenditures out of the picture lightens the weight of defense, however. Apart from war expenditures, the growth in national defense spending equals the average rate of budget growth, making the base defense budget an equal, not exceptional contributor to budget growth.

Table 4-2. Federal & Defense Spending During 2001-2010 Above Levels Set in 2000
(dollar figures in trillions)

Total Federal Spending Above 2000 Baseline	9.91
Total Discretionary Spending Above 2000 Baseline	4.25
National Defense Total Spending Above 2000 Baseline	2.41
National Defense Discretionary Spending Above 2000 Baseline	2.39
National Defense as % of Total Above Baseline	24.3%
National Defense as % of Discretionary Above Baseline	56.2%

Sources: *Budget of the US Government, Fiscal Years 2002-2012*; Undersecretary of Defense (Comptroller), *National Defense Budget Estimates*.

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